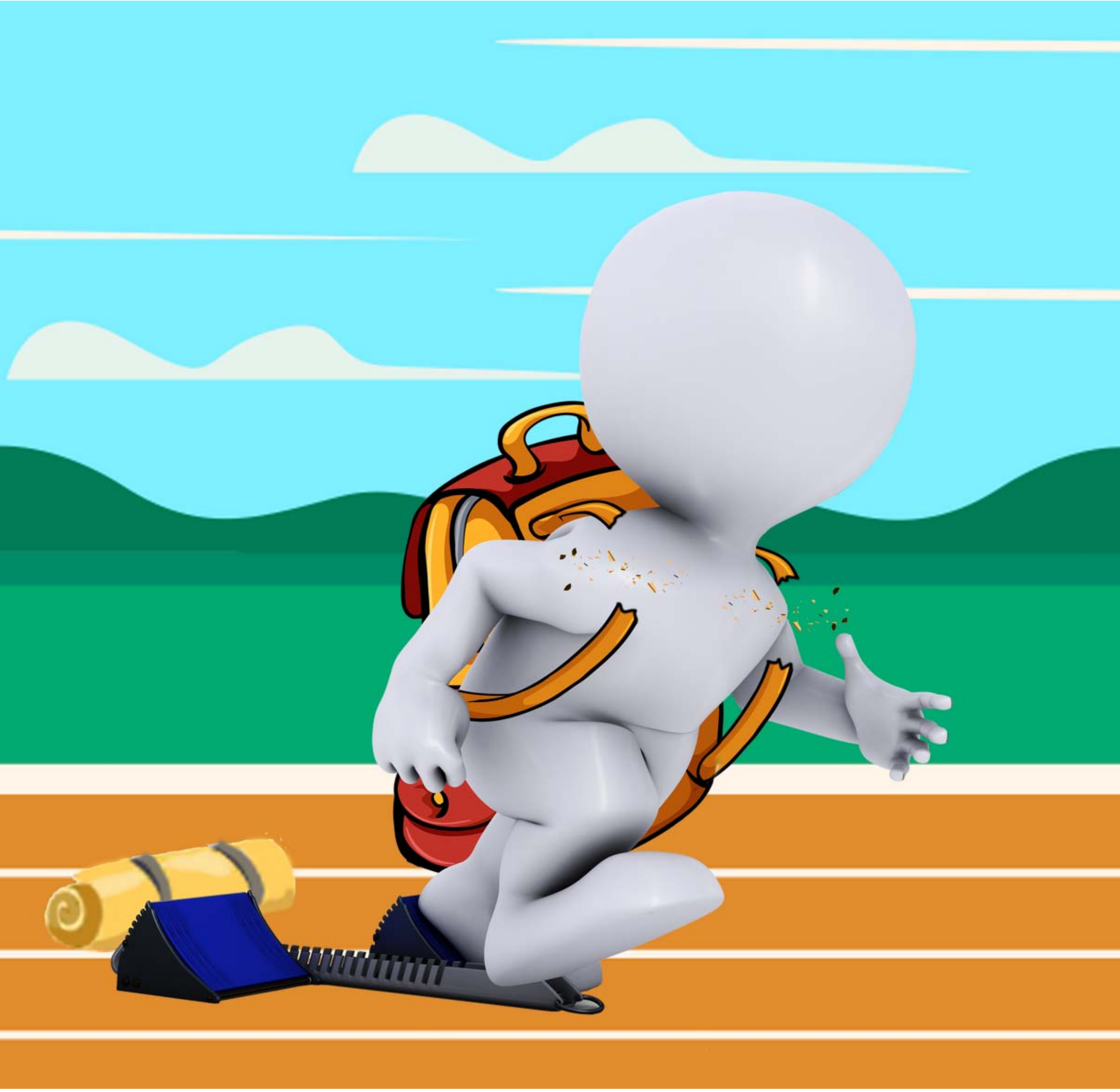
Initiating Coverage | 19 July 2017
Sector: NBFC

L&T Finance Holdings



Off to a new start

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L&T Finance Holdings

BSE Sensex	S&P CNX
31,955	9,900

CMP: INR150 **TP: INR180 (+20%)** **Buy**

Stock Info

Bloomberg	LTFH IN
Equity Shares (m)	1817.2
52-Week Range (INR)	153/74
1, 6, 12 Rel. Per (%)	-1/38/85
M.Cap. (INR b)	272.6
M.Cap. (USD b)	4.1
12M Avg Val (INR M)	644
Free float (%)	33.4

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E
NII	31.4	35.7	40.5
PPP	26.7	35.3	40.5
PAT	9.2	13.0	17.4
EPS (INR)	5.2	7.2	9.6
BV/Sh. INR	44.3	50.8	59.0
RoAA (%)	1.5	1.8	2.0
RoE (%)	12.4	15.3	17.5
Payout (%)	19.8	15.2	14.9
Valuation			
P/E (x)	28.6	20.9	15.6
P/BV (x)	3.4	3.0	2.5
Div. Yld (%)	0.6	0.6	0.8

Shareholding pattern (%)

As On	Mar-17	Dec-16	Mar-16
Promoter	66.6	66.7	66.7
DII	3.7	3.6	1.8
FII	11.3	10.1	8.8
Others	18.4	19.7	22.7

FII Includes depository receipts

L&T Finance Holdings

Off to a new start

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Please click here for Video Link

Off to a new start

Strong execution toward stated goals to boost profitability

- **L&T Finance Holdings (LTFH) is a quintessential turnaround story, in our view. From a company with 20+ product lines and sub-standard return ratios, it is gradually transforming itself to a focused financier with eight product lines across three verticals, with a target to achieve 18-20% RoE by FY20 (~12% in FY17).**
- **With a new MD & CEO at the helm, LTFH has identified three segments to focus on - rural finance, housing finance and wholesale finance, which comprise 15%, 19% and 62% of the total loan book, respectively. While the rural and housing segments have already achieved 20% RoE, the key driver of profitability improvement, going forward, is the wholesale finance segment.**
- **Strong growth and a decline in expense ratio and credit costs should elevate RoA/RoE from 1.5%/12.4% in FY17 to 2.3%/19.2% in FY20. While the stock has re-rated well over the past year on account of strong execution by management, we expect re-rating to continue. We thus initiate coverage on LTHF with a Buy rating and a target price of INR180 (3.0x FY19E BVPS).**

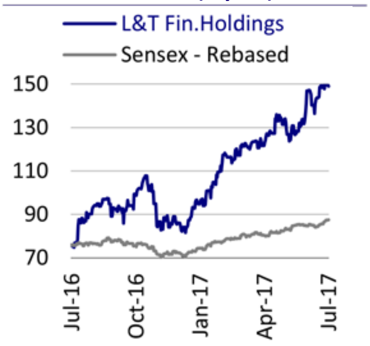
Primary focus on achieving top-quartile RoE

After the appointment of Mr Dubhashi as MD & CEO in July 2016, LTFH's primary goal has been to generate top-quartile RoE for its shareholders. In order to achieve this, LTFH has identified three key segments (rural, housing and wholesale finance) to focus on, and is running-down the de-focused businesses. It has focused on cost-cutting measures, and is also investing in technology in a big way. Since the wholesale loan book written post 2012 has nil NPLs, credit costs are expected to decline sharply FY19 onward, leading to a significant improvement in profitability. We believe LTFH is on track to achieve 35% PAT CAGR over FY17-20, with RoE of 19% by FY20.

Diversified player in rural finance; among top 3 in tractor finance

LTFH has a rural finance book of INR100b, comprising three key products – microfinance, two-wheeler finance and tractor finance. The company has a differentiated model in microfinance, wherein, unlike peers, there is no concept of a group leader. Also, most of the loans are for a tenure of two years, which reduces the EMI burden. LTFH does not disburse loans to borrowers not producing their Aadhar Card. LTFH entered the 2W financing business via the acquisition of Family Credit. The business has ramped up well over the years, and the company now finances 350,000 two-wheelers per year (implying 7% market share). The company is one of the top three players in tractor financing, with estimated market share of 8-9%. It has tie-ups with several leading OEMs like TAFE, Mahindra and Sonalika. Overall, rural financing is the most profitable segment for LTFH, with RoE of ~22%. Management intends to allocate maximum capital to this segment to grow the business.

Stock Performance (1-year)



Housing finance – the fastest-growing segment

LTFH has a housing finance book of INR125b with a diversified product suite, comprising home loans, LAP, construction finance and LRD. Home loans and LAP constitute 60% of the overall book, while corporate loans account for the remaining. The company conducts business from its 24 branches in the top 6-7 cities. Over the past few quarters, LTFH has shifted its focus toward the self-employed non-professional (SENP) segment for home loans. It has also stopped disbursing DSA-sourced salaried loans due to the lack of profitability. LTFH's biggest competitive advantage in this segment is the strong relationships that its peer group companies – L&T Realty and L&T ECC – enjoy in the industry. We expect the segment to grow at 20%+ CAGR over the medium term, with 18-19% run-rate RoE.

Second largest player in renewable energy finance

Wholesale finance has traditionally been the key business for LTFH. The loan book stands at INR414b, with the product suite comprising infrastructure finance (thermal, renewables and operating roads), structured finance and supply chain finance. LTFH is the second largest renewable energy financier in the country, and has consolidated its position led by its quick and skillful project appraisal skills. While this segment has legacy asset quality issues, the loan book written post 2012 has nil NPLs. The key focus in this segment is to generate and sell-down loans in order to generate strong fee income. Loan growth is expected to be in the range of 10-15%. With improving fee income, coupled with lower incremental credit costs, this segment is poised to generate 15-16% RoE FY19 onward, in our view.

Improving return ratios, strong growth; Initiating with Buy

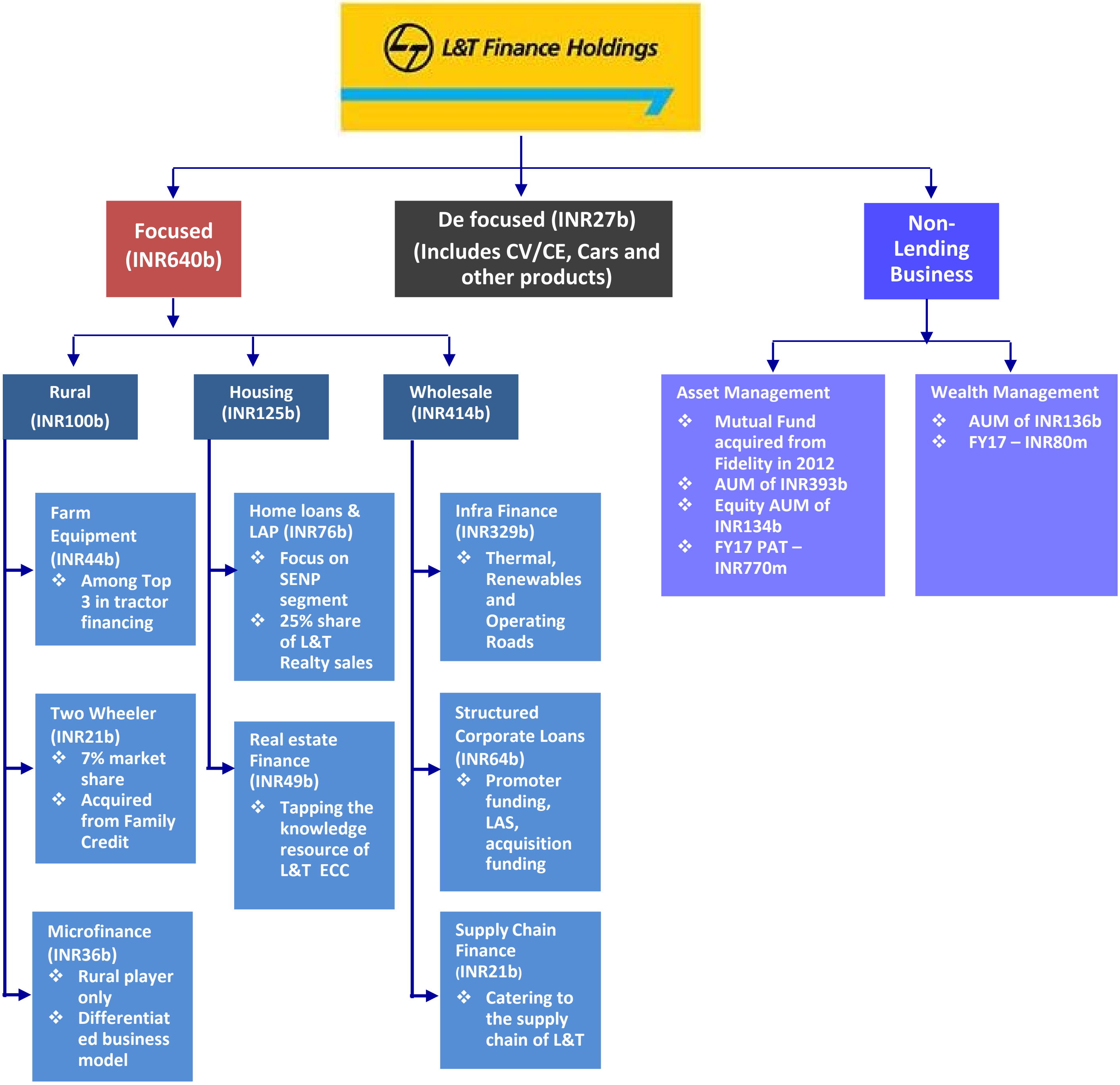
We believe LTFH is well poised to deliver 16% loan book CAGR over FY17-20E, driven by 20%/25% growth in rural/housing finance. We believe that the company is well capitalized to achieve this growth and would not require any dilution. RoA/RoE are expected to improve to 2.3%/19.2% by FY20E. Asset management and wealth management subsidiaries have recently turned around and gaining scale – we expect them to be the key value contributors over the medium term. We value the company at 3.0x FY19E BV, based on the residual income model. Our key assumptions are Rf of 7.0%, CoE of 13% and a terminal growth rate of 5%. We thus initiate coverage with a **Buy rating and a target price of INR180**.

Exhibit 1: Peer comparison

Company	AUM (INR b)	FY17-20E AUM	NIM (%)	GNPL ratio (%)	RoA (%)		RoE (%)	
	FY17	CAGR	FY17	FY17	FY17	FY20E	FY17	FY20E
LTFH	**660**	**16**	**4.9**	**7.4***	**1.7**	**2.3**	**12.4**	**19.2**
CIFC	342	19	7.6	4.7	2.6	3.0	18.1	20.3
SHTF	788	13	7.3	8.2	2.0	2.5	11.7	16.3
MMFS	468	16	8.1	9.3	1.0	1.8	6.4	14.2
BAF	602	33	10.7	1.3	3.3	3.6	21.7	27.7
SCUF	231	19	13.5	6.8	2.7	3.9	11.8	18.1

Source: Company, MOSL; *: LTFH GNPL ratio includes impaired assets

Current business description



Building LTFH 2.0

Doubling RoE over FY16-20E

- **Post appointment of a new MD & CEO in 2016, the company has reworked on its strategy with a sole target to achieve top-quartile RoE (18-20%) by FY20.**
- **The new management is leading the transformation by restructuring the business, weeding out loss-making/inefficient business segments and shifting capital to more profitable/sustainable ones.**
- **We like the management's focus on RoE generation and execution demonstrated in implementing the revised strategy, which reflects in its robust operating performance across all parameters in FY17.**

Shift in strategy with a sole focus on RoE bodes well for the future

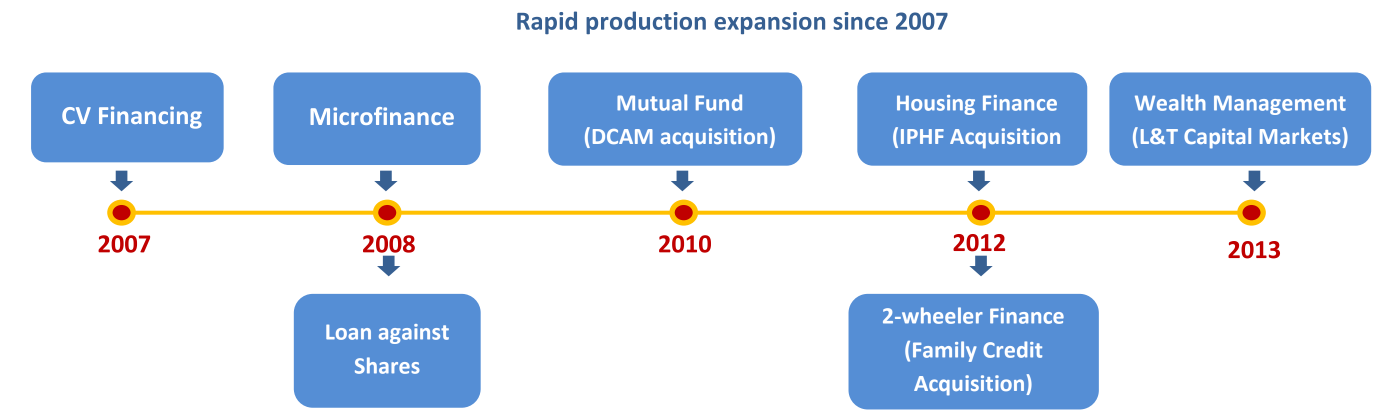
Clear segment targeting to focus on high-RoE businesses

LTFH operated as a corporate lender from 2007-2010, and started project financing in 2011. Between 2011 and 2014, the company worked toward obtaining a banking license from the RBI, which led it to over-diversify in terms of product offering, creating a complex corporate structure. With many products being sub-scale, RoE declined to ~10%. Post non-qualification for a banking license, the company has re-focused on improving profitability as an NBFC, and has taken numerous initiatives with the sole objective of attaining 20% RoE by FY20. These initiatives have been supported by Mr Dubhashi, who is now leading the transformation.

Key initiatives to drive profitable growth

Some of the key initiatives taken are: **1) separation** of healthy, high-RoE businesses and problematic low-RoE businesses into **core** (**focused) and non-core (defocused) segments**, 2) ensuring robust growth in the focused book while continually **running down the defocused book** by divesting/writing-off assets. The defocused book is expected to run-down completely by FY19. **3) Consolidation at organization level** by merging subsidiaries to achieve synergies (merged three subsidiaries in FY17, creating goodwill and tax benefits). **4) Trimming workforce** to eliminate unproductive employees (1,000 branch-level employees fired and 1,300 feet-on-street staff hired in FY17) and **reducing branch count** (shut down 87 branches in FY17).

Exhibit 2: Product portfolio has been expanded since 2007 and now been segregated into core and non-core



Source: Company, MOSL

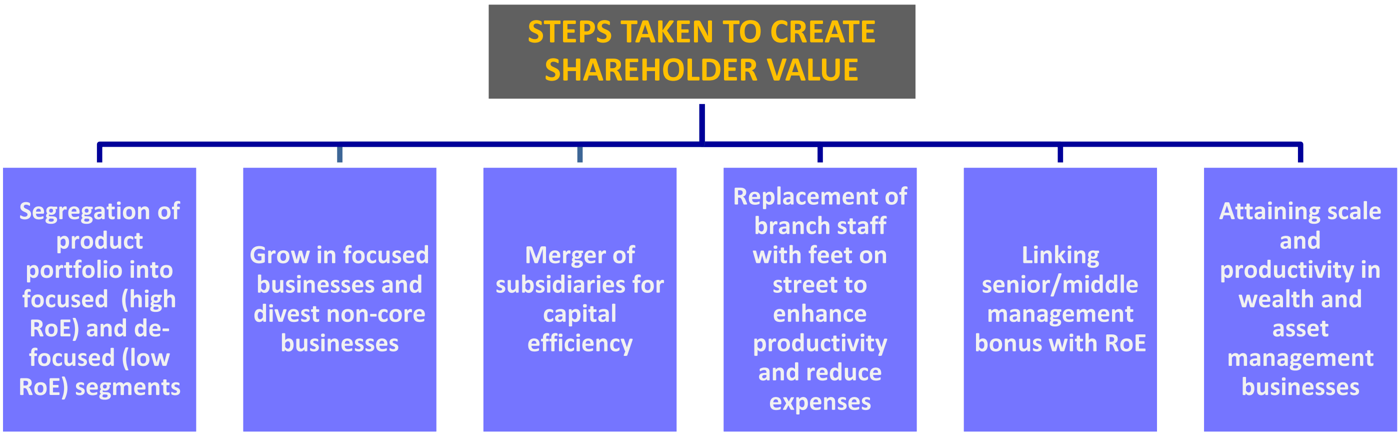
Strategy shift is spearheaded by a strong management team – execution success is reflected in its FY17 results

Strong management team has delivered results in FY17

LTFH's transformation process is being spearheaded by industry veteran Mr Dubhashi. He has spent 25 years in leadership positions across large organizations, such as SBI Cap, CARE and BNP Paribas. He has also led the change to include a leaner, simpler organization structure and hierarchy – with an 11-member Group Executive Council reporting to him v/s a 25-member team reporting to the erstwhile MD. The success of the various initiatives undertaken has reflected in the company's strong operating performance in FY17.

Key changes introduced to drive shareholder value

Exhibit 3: Steps taken to enhancing shareholder value

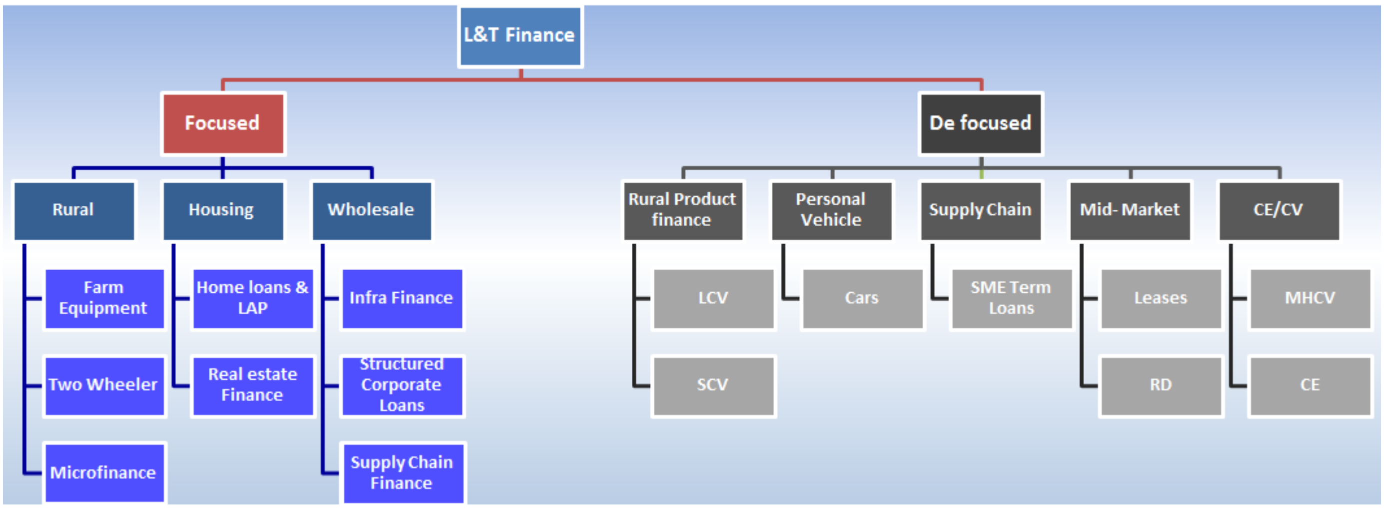


Source: MOSL, Company

Business restructuring and divestment of non-core businesses

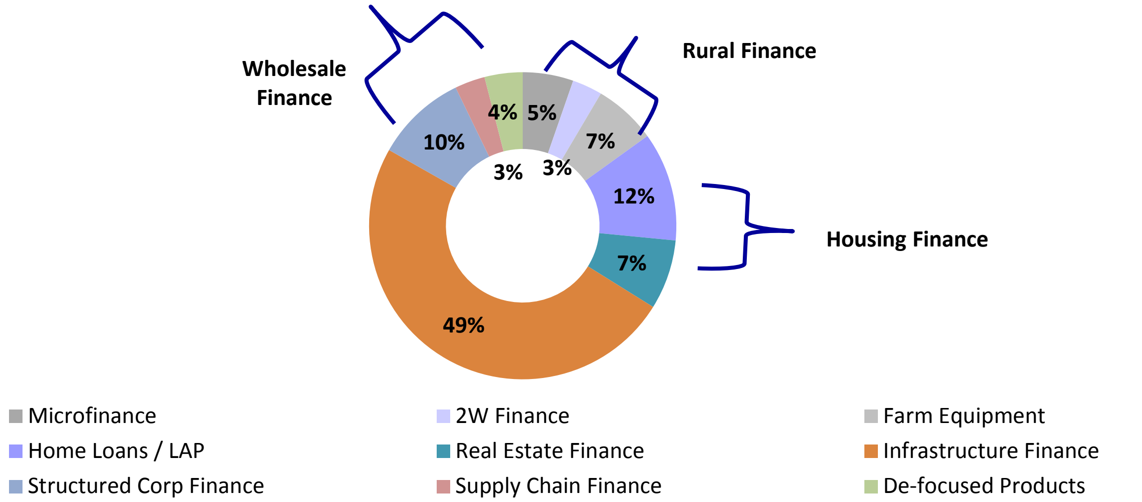
LTFH has restructured its fund-based product portfolio to focus on high-RoE businesses and to eliminate others. The company has focused on three key verticals: **rural finance** (comprising 2Ws, farm equipment and microfinance), **housing finance** (home loans, LAP and construction finance) and **wholesale finance** (infra finance, structured corporate finance and supply chain finance). The company has clubbed together other non-core products, such as CV, CE, loans & leases/LAS and five PE assets, as "**defocussed businesses**" and is gradually divesting those in a phased manner.

Exhibit 4: Product portfolio segregated into core and non-core



Source: MOSL, Company

Exhibit 5: Product portfolio post segregation into core and non-core businesses (FY17)



Source: MOSL, Company

Segregation of businesses into focused and defocused, with an aim to grow focused businesses and divest defocused businesses

Merger of subsidiaries for capital efficiency

In FY17, LTFH merged three of its subsidiaries – L&T Finance, L&T FinCorp and Family Credit – into one entity, i.e. L&T Finance Ltd. This has led to capital efficiency from cost synergies, as well as creation of goodwill of INR30b and tax gains of INR10b.

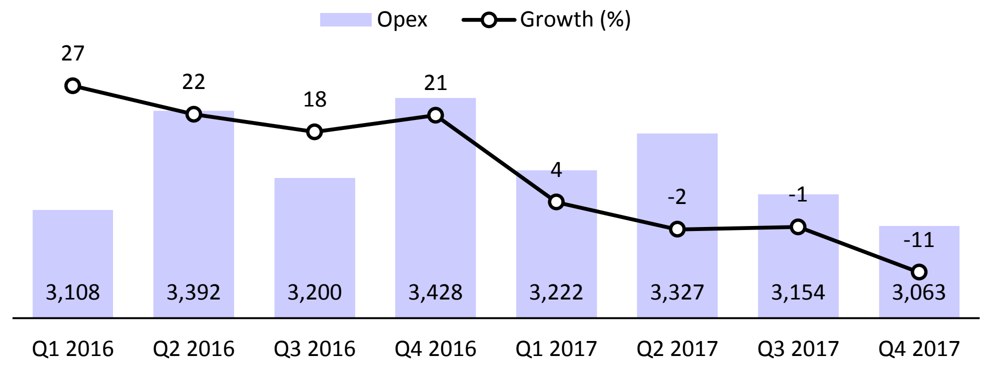
Workforce reduction for enhanced efficiency

The company asked ~1,000 employees (700 of them from head office and regional offices) to leave, leading to a lean, productive workforce and enhanced cost efficiencies and subsequently hired 1,300 feet-on-street staff to help with loan generation and disbursement.

Leaner, simpler organization structure

Efficiency has improved with a leaner structure and less bureaucracy. In addition to abolishing 12 senior management roles, the number of reportees to MD & CEO has been reduced from 25 to 11. The company closed over 80 branches bringing the branch count down to 188 branches over the past year. Cost benefits are visible, with opex on an absolute basis steadily declining since 4QFY16, except for 2QFY17.

Exhibit 6: Operating expenses have steadily declined since 4QFY16, except for one quarter

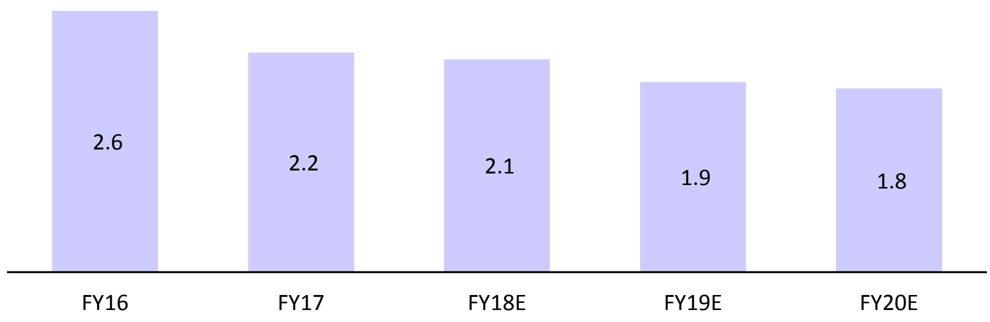


Source: MOSL, Company

Other changes to boost productivity

In addition to the aforementioned initiatives, several others have been enacted to boost productivity and incentivize employees to achieve organizational goals. 100%/60% of senior/middle management bonuses have been linked with RoE. Other initiatives in digital/data analytics will bring in cost savings, helping maintain the C/I ratio at ~25% until FY20 and bringing it down further thereafter.

Exhibit 7: Opex will stay in control with digital initiatives (Opex/avg loans ratio %)



Source: MOSL, Company

Cutting flab in the system by eliminating unproductive branch level staff and hiring feet on the street, along with reduction in branch count, has helped contain costs, boosting profitability

Single-minded focus on RoE, levers already in place

Over FY12-16, LTFH delivered sub-optimal RoEs of 9-10%. New management is focused on creating shareholder value, targeting to achieve top-quartile RoE of 18-20% by FY20. Management plans to achieve this through multiple levers of stronger income generation across verticals, cost control, and credit cost reduction. The initial steps have been taken, with the company trimming its workforce by 1,000 and shutting down 87 branches to operate in a leaner, more productive way. The results are reflected in the C/I ratio, which declined by 477bp from 30.94% in FY16 to 26.18% in FY17 (registered 4QFY17 RoE of 14.7%, the highest in 16 quarters). Additional levers will also come from the progress made in its other businesses (such as wealth and asset management) along with continued sell-downs in the non-core businesses.

Defocused book divestment will free up capital; gains will be used to create additional provisions

LTFH's defocused book comprises non-core assets in CV, CE, loans & leases, LAS, and five PE assets. This book is being slowly divested, and the proceeds are used to create additional provisions to buffer against future credit costs. The defocused book is expected to decline 50% in FY18 and run-off completely by FY19. The five PE assets amount to ~INR8b, and the company expects to sell-off two of them in FY18. This would help free-up capital for use in the high-RoE core assets, and reach the target RoE by FY20.

AMC, wealth management businesses to provide additional boost to RoE

LTFH has INR339b and INR136b in investment management AAuM and wealth management AAuS, respectively. Given the shift in financial assets from traditional asset classes to equities, net inflows are expected to continue in these businesses. The wealth management business broke even in FY17 and is expected to deliver an annual profit of INR200-250m in FY18. LTFH may also look to divest part of its stake in the AMC business in the medium term.

Rural business at an inflection point

Most profitable segment for LTFH; Top focus area for management

- **LTFH's rural business comprises three product segments: microfinance, two-wheeler finance and farm equipment (tractor) finance. LTFH is among the Top 3 players in the tractor finance market.**
- **This is the most profitable segment for LTFH, generating RoA/RoE of 3%/20%+. At the same time, given the small base and large opportunity, this segment should deliver 20% AUM CAGR over FY17-20E, in our view.**
- **Given its strong expected growth with highest RoE among all segments, the segment will be given priority in terms of capital infusion.**

Differentiated microfinance business model

LTFH operates in rural areas only and does not do individual lending

LTFH entered the microfinance segment in 2008 and conducts the business in rural areas only. Prior to entering a new territory, it conducts a thorough analysis of the market, especially on the risk front. It only enters markets where there is no history of high delinquency or political interference. Unlike its peers, there is no concept of a group leader, which mitigates any risk of a leader arm-twisting his/her group members. Also, most of its loans are two-year loans. While it disburses loans from only its branches, collections are done at homes of the borrowers. The company has stayed away from individual lending and does group lending only. Also, unlike peers, the sales person also has the responsibility of collections – there is no separate collections team. Another key feature of the business is that LTFH does not disburse loans to borrowers who do not produce their Aadhar card. Sales and collection processes are tablet-enabled. The company refers to Highmark reports before sanctioning loans.

Exhibit 8: Microfinance – Snapshot

Particulars	Description
AUM	INR36b
Geographies	Orissa (20%), WB (20%), TN (20%), Karnataka, Maharashtra
Number of branches/centers	620
Yield	24%
Tenure	24 months
Average ticket size	INR25-27k
Lending model	Group lending only
Collection frequency	Monthly
Number of customers	1.8m

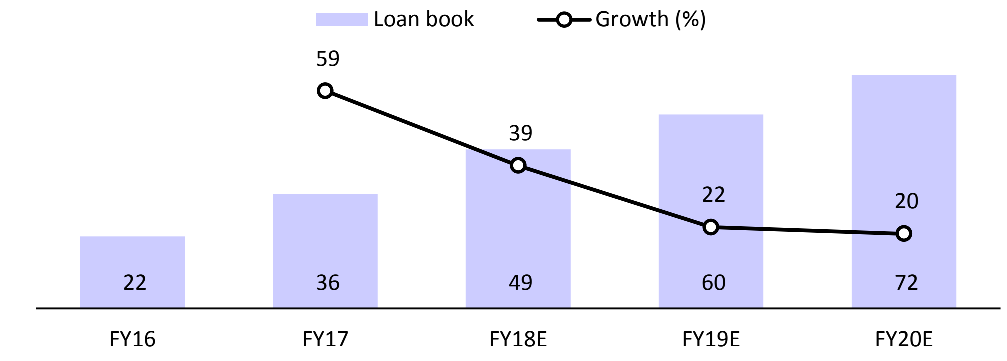
Source: MOSL, Company

~44% of their debtors have started paying dues

Around 70% of its borrowers are first-cycle customers. Additionally, LTFH follows a monthly collection model. While there has been an impact on collection efficiency due to political interference in the aftermath of demonetization, ~44% of debtors have started repaying dues. The company has also started making provisions of 15% for overdues in the Vidharbha region and 10% of overdues in the rest of Maharashtra. According to the company's policy, state-wise concentration is capped at 20% of the portfolio.

Given large unmet demand, coupled with deeper penetration in existing geographies, we expect 27% loan book CAGR over FY17-20E.

Exhibit 9: Microfinance loan book trend (INR b)



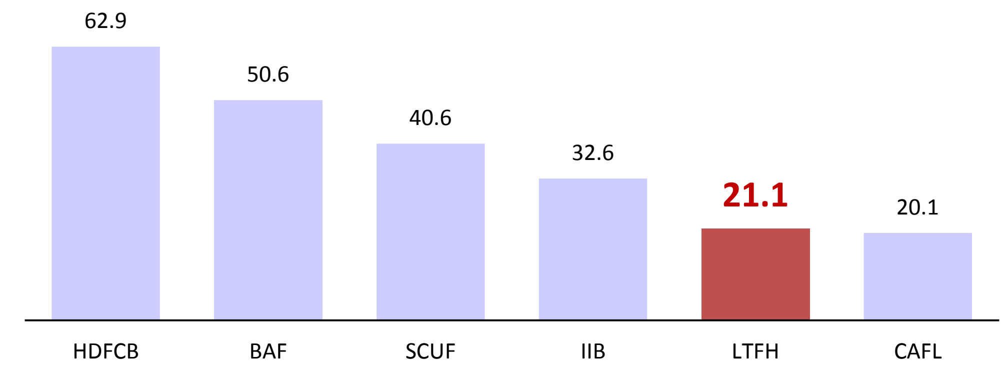
Source: MOSL, Company

Entered 2W financing business with the acquisition of Family Credit

LTFH operates in rural areas only and does not do individual lending

LTFH entered the 2W financing business with the acquisition of Family Credit from Societe Generale in FY13. Over the past four years, LTFH has grown to become a significant player in the 2W lending market, financing ~350,000 vehicles per year (implying a market share of 7% of vehicles financed).

Exhibit 10: 2W financing – comparison of loan book v/s peers (INR b)



Source: MOSL, Company

LTFH has a network of 2,500 2W dealers and has a preferred financier tie-up with Honda

LTFH operates in the outskirts of tier I/II cities. It has tied up with over 2,500 dealers and has a preferred financier tie-up with Honda. While it targets both salaried and self-employed customers, the share of the latter is higher. The company uses predictive modeling scorecard to appraise loans, resulting in TAT of 10 minutes for sanctioning. While the in-house team is responsible for collections in the 0-30dpd bucket, all collections post that have been outsourced to agencies.

Exhibit 11: 2W financing – snapshot

Particulars	Description
AUM	INR21b
Geographies	WB, Guj, Maharashtra, Karnataka, Orissa
Locations	Outskirts of Tier I and Tier II cities
Tie-ups	Preferred financier tie-up with Honda
TAT	10 minutes
Dealer Network	2,500
Yield	20-22%
Tenure	24 months
Average ticket size	INR45k
LTV	80-85%
Key competitors	SCUF, Capital First, HDFCB, IIB
Collections	Insourced 1-30dpd collections; 30dpd+ collections outsourced
Volumes	350,000 vehicles financed per annum
Number of customers	0.8m

Source: MOSL, Company

While 2W financing penetration in India has increased over the past five years, it is still significantly below 2008 levels

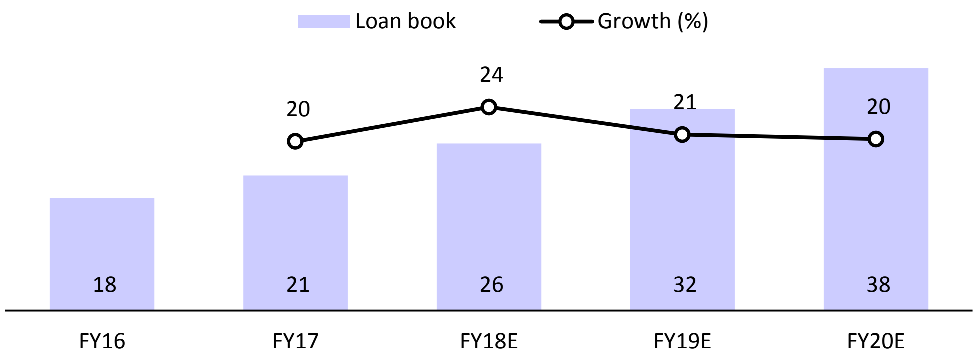
Improving levels of 2W financing penetration in India

Finance penetration of 2Ws in India plunged sharply from ~60% before 2009 to ~23% in FY11. However, penetration has started increasing again and currently stands at ~30%. We expect this trend to continue over the medium term as the market is likely to see aggressive action by both existing and new players.

Expect loan book to double in three years

We believe the penetration into new geographies, as well as the deepening wallet share of existing OEMs, should drive 22% growth in AUM over FY17-20E.

Exhibit 12: 2W loan book trend (INR b)



Source: MOSL, Company

LTFH is among the top players in tractor financing with a market share of 8-9%

Among the top three players in tractor financing business

The farm equipment (tractor) financing segment is one of LTFH's niche lines of business. The company is one of the largest players in the segment. It enjoyed a market share of 11% until 2015, but pulled back from the market due to early signs of stress. As a result, its market share dipped to as low as 3% in FY16, but increased again in FY17 as LTFH re-entered the market. Currently, its market share is at 8-9%.

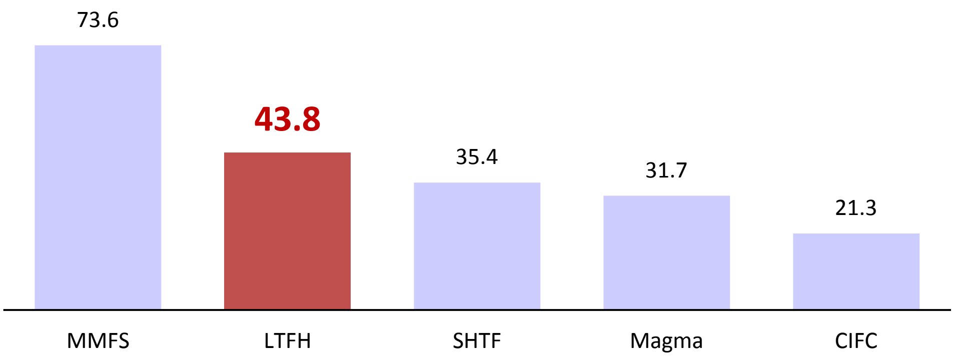
LTFH finances both new and used vehicles (80:20 mix). It competes with the likes of MMFS, HDFCB and KMB in this segment.

Exhibit 13: Farm equipment financing – snapshot

Particulars	Description
AUM	INR44b
Geographies	MP, AP, Telangana, Karnataka, Rajasthan, UP
TAT	1 day
Number of dealers	600
Yield	15.5-17% for new vehicles and 19-20% for used vehicles
Tenure	3-5 years
Average ticket size	INR350,000
LTV	65-70%
Collection	Cash collections only when cheque bounces (40% of cases)
Corporate tie-ups	TAFE, Sonalika, Mahindra, John Deere, Escorts
Number of customers	0.2m

Source: MOSL, Company

Exhibit 14: Tractor financing – comparison of loan book v/s peers (INR b)

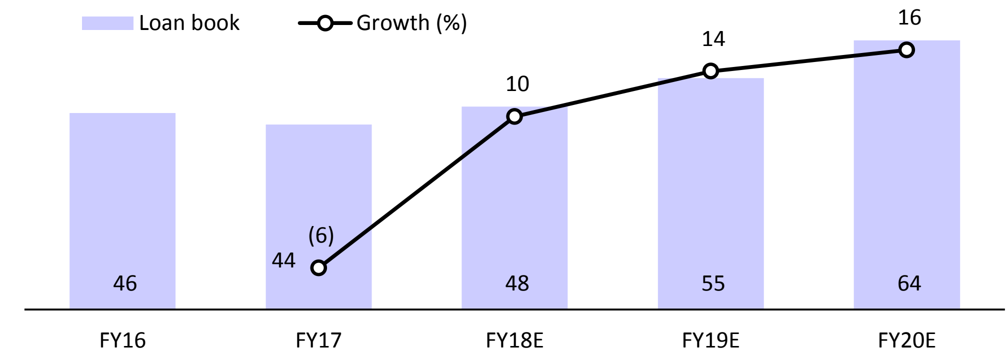


Source: MOSL, Company

Plan to increase the share of business from its preferred OEMs from 50% to 65%

Management has a clear intention to be the top player in this segment, as it believes it has the 'right to win' in this segment. Management's plan is to increase the share of business from its preferred OEMs from 50% to 65% over the near-to-medium term. The company also intends to focus more on the top 10% dealers, which helps build better-quality portfolios. In addition, the company is working on an algorithmic model for underwriting tractor loans (similar to the model in 2W underwriting). This will help to significantly reduce its TAT from one day currently to only a few hours.

Exhibit 15: Farm equipment loan book trend (INR b)



Source: MOSL, Company

Exhibit 16: Peer comparison

Company	AUM (INR b) FY17	FY17-20E AUM CAGR	NIM (%) FY17	GNPL Ratio (%) FY17	RoA (%) FY17	RoA (%) FY20E	RoE (%) FY17	RoE (%) FY20E
LTFH	**100**	**20**	**12.2**	**7.7**	**3.0**	**2.9**	**22.9**	**20.7**
CIFC	342	19	7.6	4.7	2.6	3.0	18.1	20.3
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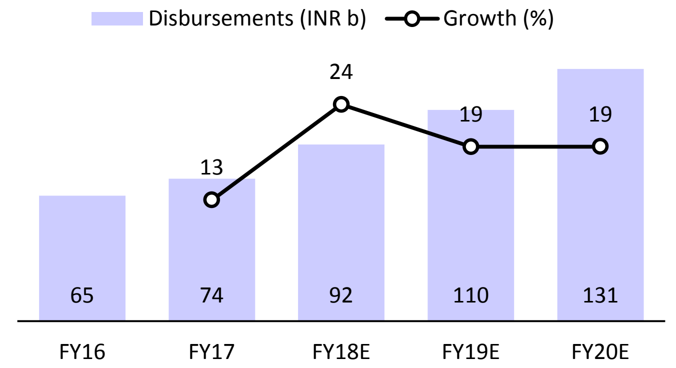
BAF	602	33	10.7	1.3	3.3	3.6	21.7	27.7
SCUF	231	19	13.5	6.8	2.7	3.9	11.8	18.1

Source: Company, MOSL; Only Rural Business Portfolio considered

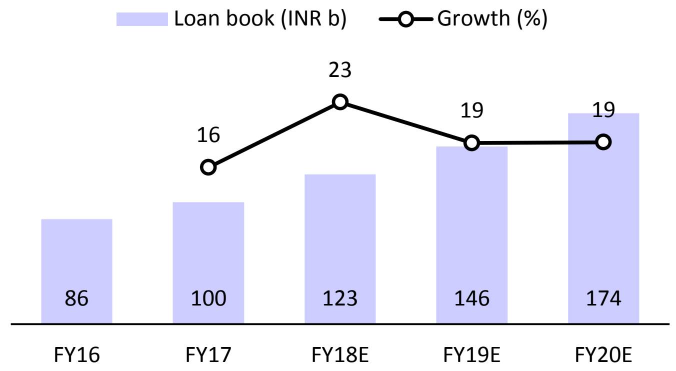
We believe that LTFH has laid the foundation for strong growth in the rural business along with stable profitability.

Exhibit 17: Rural finance – disbursement trend



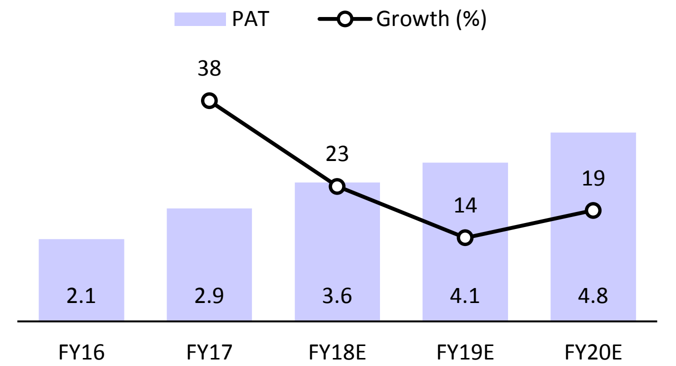
Source: MOSL, Company

Exhibit 18: Rural finance – loan book trend



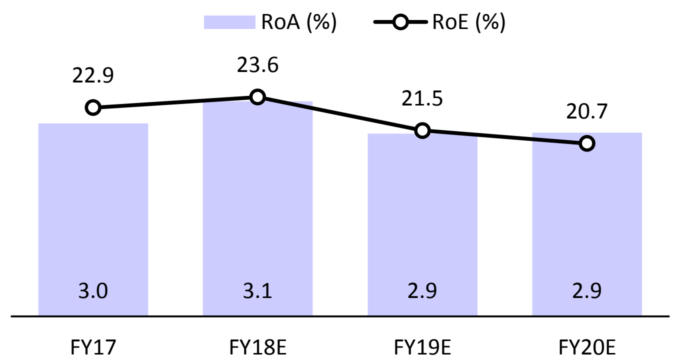
Source: MOSL, Company

Exhibit 19: Rural finance – PAT trend



Source: MOSL, Company

Exhibit 20: Rural finance – trend in RoA/RoE



Source: MOSL, Company

Diversified player in housing finance

Key growth driver over the longer term

- **In the housing finance segment, LTFH has a diversified product suite comprising home loans, LAP, construction finance and LRD.**
- **Over the past few quarters, the company has shifted its focus toward the self-employed non-professional (SENP) segment for home loans. It has also stopped disbursing DSA-sourced salaried loans due to the lack of profitability.**
- **LTFH's competitive advantage in this segment is its relationship with peer group companies – L&T Realty and L&T ECC. LTFH has a share of 25% of L&T Realty's end home buyers.**

LTFH's relationship with L&T Realty and L&T ECC gives it an edge in terms of retail and corporate loan sourcing

Renewing focus in housing finance

Within the housing finance segment, the company operated in retail home loans, LAP and corporate finance segments. Around 60% of its loan book comprises home loans and LAP, while the rest is corporate loans (largely construction finance). The company is able to leverage on its relationships with group companies – L&T Realty and L&T ECC – in this segment. L&T Realty helps the company get access to end-home buyers – in fact, 25% of L&T Realty's home buyers avail loan from LTFH. Its relationship with L&T ECC helps it to better understand the broader real estate market, and also aids in developer referrals.

LTFH runs this business out of tier-I geographies, with a greater emphasis on metro locations. Over the past few quarters, the company has increased its focus on the self-employed non-professional (SENP) segment, where it believes it has an edge over peers in terms of credit underwriting. It has also stopped disbursing DSA-sourced salaried loans due to thin profitability in this segment. Hence, going forward, the focus will be on own-sourced salaried and DSA-sourced self-employed loans.

Exhibit 21: Home loans - Snapshot

Particulars	Description
Loan book	INR38b
Geographies	Mumbai, Bangalore, Chennai, Hyderabad, Pune, NCR
Number of branches	24
Sourcing	Salaried HL (DST); SENP HL (DSA + DST)
Yield	Salaried HL (~9% incremental); SENP HL (~9.5% incremental)
Tenure	15 years
Average ticket size	Salaried HL (INR4m); SENP HL (INR5m)
LTV	Salaried HL (70%); SENP HL (60%)

Source: MOSL, Company

Exhibit 22: LAP - Snapshot

Particulars	Description
Loan book	INR38b
Geographies	Mumbai, Bangalore, Chennai, Hyderabad, Pune, NCR
Number of branches	24
Sourcing	Largely DSA
Yield	~12% incremental
Tenure	10 years
Average ticket size	INR5m
LTV	45%

Source: MOSL, Company

Around 70% of the real estate book is in residential construction finance

Real estate financing segment

In the real estate financing segment, LTFH targets category A and B developers in the top 6-8 cities. The company follows stringent practices, both pre- and post-disbursement. Prior to disbursement, it does a thorough assessment of the project based on a number of factors (such as location (micro-market), expected sales velocity, adequacy of collateral and reputation of the developer). Post disbursement, it continues to track progress on sales velocity as well as project completion. Incremental disbursements are linked to the completion of certain milestones in terms of construction of the project. The company also keeps an escrow mechanism for project receivables.

Around 70% of the real estate financing book is toward residential construction finance, while the rest comprises LRD and commercial construction finance.

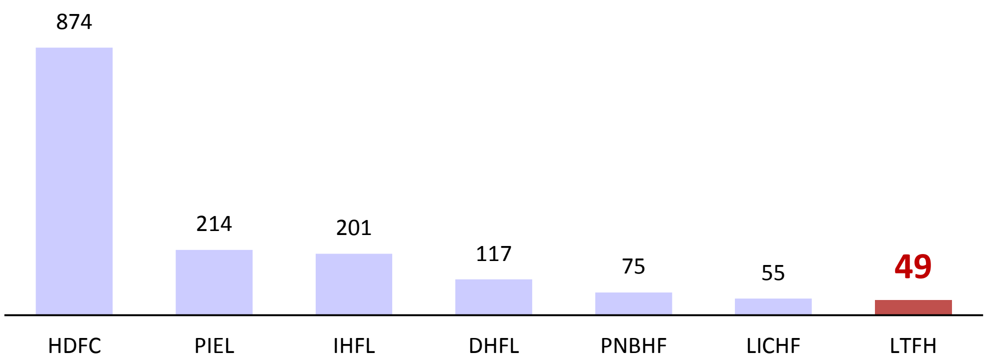
Exhibit 23: Real estate financing - Snapshot

Particulars	Description
Loan book	INR49
Geographies	Mumbai, Bangalore, Chennai, Hyderabad, Pune, NCR
Yield	~14-15% incremental
Tenure	4-5 years
Average ticket size	INR1.5-2b
Number of projects financed	~55

Source: MOSL, Company

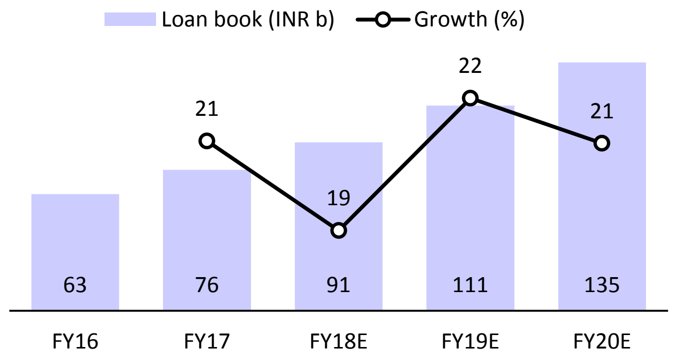
As LTFH operates primarily in metro locations, its main competitors are HDFC, PIEL and IHFL, in our view.

Exhibit 24: Real estate lending book comparison v/s peers (FY17, INR b)



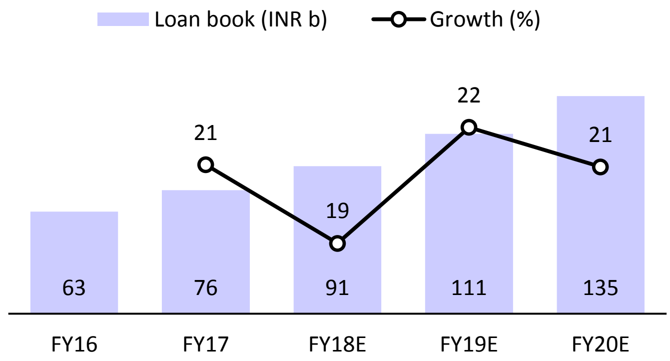
Source: MOSL, Company

Exhibit 25: Home loan/LAP – loan book trend



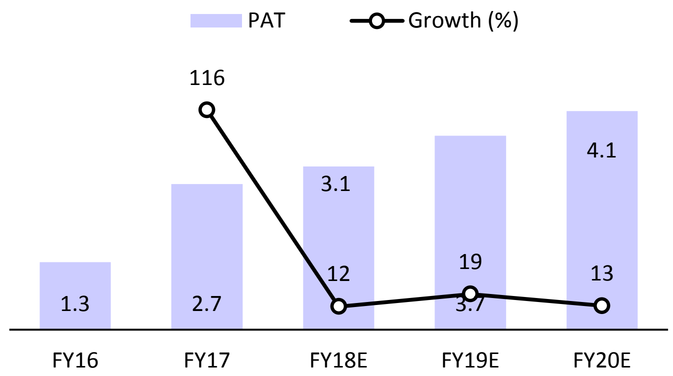
Source: MOSL, Company

Exhibit 26: Real estate finance – loan book trend



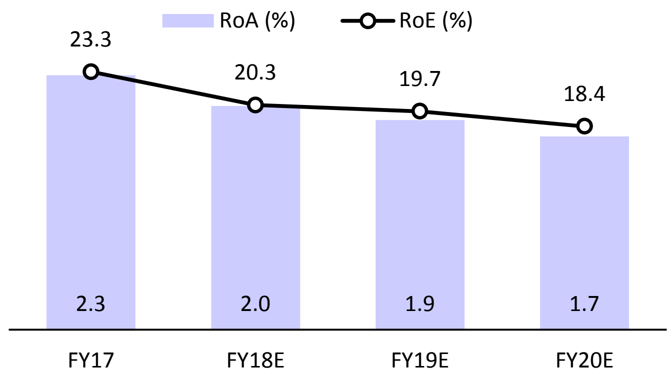
Source: MOSL, Company

Exhibit 27: Housing finance – PAT trend



Source: MOSL, Company

Exhibit 28: Housing finance – trend in RoA/RoE



Source: MOSL, Company

Differentiated approach in wholesale business

Niche player in renewable energy finance

- **Within the infrastructure finance book, LTFH has strategically shifted its focus to renewables and roads projects and operational projects which can be booked within IDF. LTFH has emerged to become the second largest renewable energy financier after IREDA.**
- **Although yields are lower compared to rural and housing finance, the credit costs are low, resulting in good profitability with contained risks in the book.**
- **While LTFH will incur elevated credit costs in FY18 due to provisioning on loans disbursed pre-2012, it is expected to decline sharply from FY19 onwards. As a result, RoE in the wholesale financing segment should improve to 15-16%.**

Focus on infrastructure lending, with shift to operational roads projects and renewable energy financing

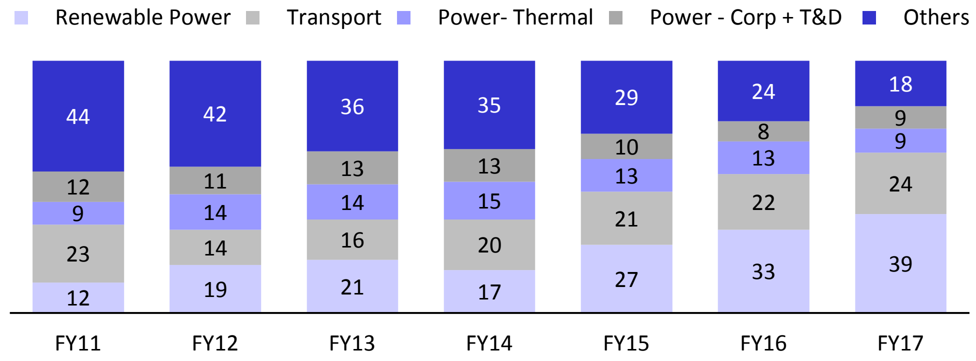
Leveraging on core strength area for growth

Infrastructure financing (INR329b in FY17, 79% of the total wholesale book of INR350b) is LTFH's core competency, and the company has a decade-long proven track record in corporate and project financing. While the wholesale business comprises three segments (infrastructure finance, structured corporate finance and supply chain finance), LTFH has focused on its bread and butter – infrastructure finance – for growth in this segment. We expect 9% loan CAGR over FY17-FY20 – however, this number is understated due to the high levels of sell-downs in the infra finance book. Key drivers in this segment include growth in renewables/road finance and traction from evolved project finance models such as Hybrid Annuity Model (HAM).

Shift in focus on roads and renewables is commendable

LTFH has done a commendable task of risk management in the infrastructure finance book by shifting the book steadily toward renewables (low-gestation periods and quicker cash flow generation) and roads (sector activity picking up with more projects going operational). Between FY11 and FY17, the share of renewables (INR128.8b in FY17) and roads (INR80.1b in FY17) in LTFH's loan book increased from 35% (12% for renewables and 23% for roads) to 63% (39% in renewables and 24% in roads). Within renewables, the company has managed risk well by focusing on small-ticket projects in wind, solar and hydro power projects. During the same period, the company lowered exposure to T&D projects and other riskier longer-tenure projects with cash flow difficulties. We believe both renewables and road finance are poised for strong growth over the next few years, driven by pick-up in the roads sector and increased focus of the Indian government on increasing renewables capacity.

Exhibit 29: Steady shift to high-growth, low-risk segments – a master move



Source: MOSL, Company

Share of operational projects has gone up significantly

Shift in focus toward operational projects underscores superior risk management

With a view to contain risk in the infra book, LTFH has increasingly shifted its loan mix to operational projects. The share of operational projects increased to 60% as of FY17 from 21% in FY11. Besides containing book risk, this has led to lower RWAs, as risk weight for operational/under construction projects is 50%/100%, translating into 70% risk weight for the infra finance book.

IDF portfolio to continue providing strong traction

LTFH has achieved phenomenal growth in the infrastructure book, led by operational projects becoming eligible for IDF financing, which were moved from their infrastructure entity to IDF in FY16, boosting both growth and leverage as they were using the AAA status of the IDF book.

Exhibit 30: IDF - Snapshot

Particulars	Description
Cumulative Refinancing	~INR50b
Number of projects financed	~45
Lending product structure	65% of loans comprise long-tenure bonds, majority of which are listed; offer fixed-rate products too
Asset Quality	Nil NPLs and Nil restructured assets
Portfolio composition	60% road projects (19 projects; all guaranteed by a govt-owned authority); 40% towards renewables and power transmission projects
Outlook	Expect to refinance 3-4 PPP projects in the port sector in FY18; Expect strong growth in the overall loan book
Leverage	D/E ratio at 6x currently; Net worth of INR8b including INR1b preference capital

Source: MOSL, Media Interview

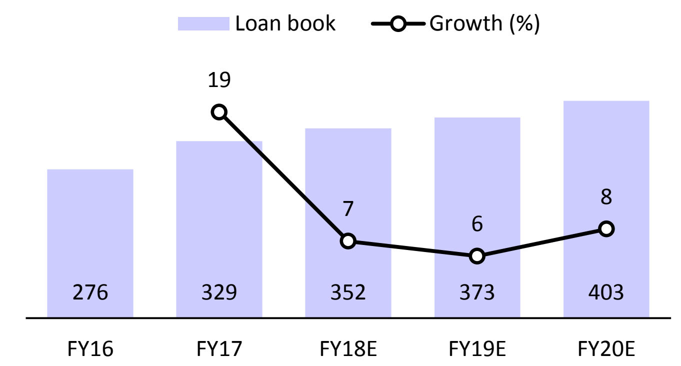
Sell-down CoE helps generate additional fee income while managing risk

Focus on sell-downs for fee income traction – key to RoE improvement

LTFH has a dedicated sell-down desk to help sell-down excess loans, providing additional fee income in the process. Sell-down has started in the wholesale book, where the company keeps ~30% of originations on its book and sells down the remaining 70%. Sell-downs have also happened from real estate to an extent. We like management's move to set up a dedicated desk, which can help with: a) **switching between earning excess fee income** and achieving **extra loan growth** backed by higher originations, b) having a lever to manage risk on the book by selling down loans beyond the risk appetite of the company (we see this as a twopronged tool to strengthen RoA/RoE of the lending business), c) attaining strong fee income generating capability on the renewables book, given that even without selling down, LTFH earns 75-90bp of underwriting and processing fees, and an additional loan syndication fee if it sells down the portfolio.

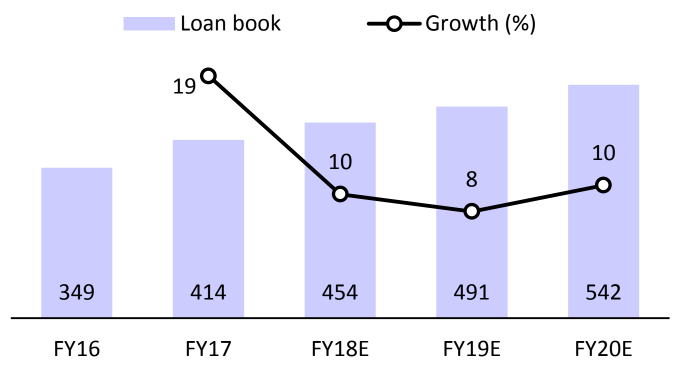
We expect modest on-book loan growth in infrastructure finance, given the focus on sell-downs.

Exhibit 31: Infra finance – loan book trend



Source: MOSL, Company

Exhibit 32: Wholesale finance – loan book trend



Source: MOSL, Company

Structured corporate finance to provide additional levers of growth

The other components of LTFH's wholesale finance book, i.e. structured corporate finance and supply chain finance, comprise ~21% of the book. Supply chain finance entails financing to entities in L&T's supply chain and also some working capital financing for auto dealers. Structured finance includes loans against shares (promoter funding), mezzanine financing and IPO funding. Structured corporate finance is a key focus area for the company - we expect 21% loan CAGR in this book over FY17-20E.

Nil NPLs on loans disbursed post 2012

Asset quality in control; Provisioning to subside from FY19 onwards

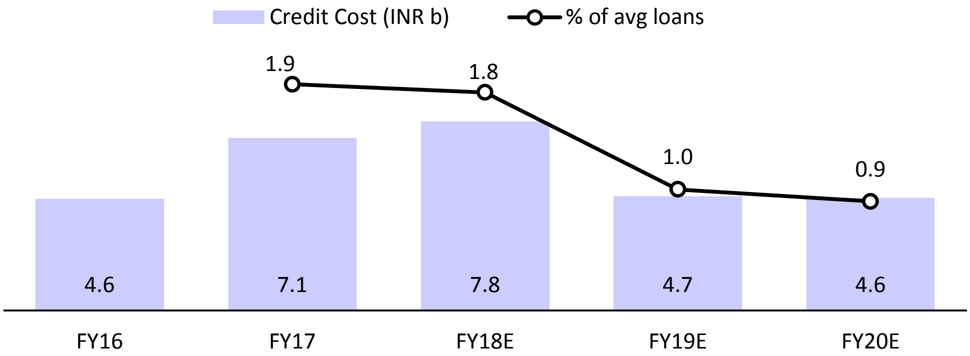
The company has a robust risk monitoring framework for risk management, which provides comfort on the infra book. In renewable energy financing, LTFH enters into 3-4 player consortium deals, where it underwrites construction risk. PPAs are signed before the project, and usually construction takes 7-8 months, post which LTFH takes a call whether to sell down the exposure or to retain it. In roads, the company enters operational projects only which helps mitigate risk. While HAM projects are only a handful at this stage, incremental loans are expected to be under HAM model, thereby containing risks.

LTFH's wholesale loan book has GNPA/NNPA of 4.28%/2.35% as of 4QFY17, with a provision coverage ratio of 46%. In addition, it has stressed asset classified as standard amounting to 5.5% of total loans. Hence, its gross impaired loans stand at 9.8% of total loans (~INR38b). Over the last few quarters, the company has used excess fee income and one-off gains to make additional provisions on NPLs in its wholesale loan book. ~65% of wholesale GNPA is accounted for by EPC exposures, while thermal power projects comprise the remaining. Notably, there are no NPAs from loans generated post 2012.

Credit costs are expected to decline sharply from FY19 onwards

With the accelerating shift to low-risk operational projects, we expect slippages to be contained. Management expects a maximum of ~INR13b slippages from wholesale exposures in EPC and thermal power over the next year taking the total gross impaired assets to ~INR50b. As per management's estimate, a provisioning of INR18-20b against these stressed assets would suffice. Having already provided INR11b so far, the incremental provisioning of INR8-9b will be completed in FY18, leading to a sharp decline in credit costs from FY19 onwards.

Exhibit 33: Credit costs in wholesale book are declining



Source: MOSL, Company

SWOT analysis

Strength

- Unique, presence in high-yield, high-growth business segments and superior sustainable returns
- Strong parentage a big boon in the housing and infra finance segments
- Among the top three players in tractor finance and renewable energy financing

Weaknesses

- Operates in some high-risk segments like MFI. Asset quality in these segments is cyclical
- Legacy infra finance book has asset quality problems
- While the company has successfully moved to NCDs, the dependence on bank funding remains high

Opportunities

- Operates in underpenetrated business segments with huge growth potential
- Has yet to completely leverage on the knowledge of the L&T Group ecosystem

Threats

- SFBs have become very competitive in secured rural lending
- Entry of private sector banks into the renewable or operating roads space could pose a threat to growth and margins

Bull & Bear case

Bull Case

- ☑ In our bull case, we assume a strong loan CAGR of 24% (vs. base case of 16%). We believe the rural financing segment could surprise on the upside.
- ☑ We expect margins to remain largely stable at 4.8-4.9%
- ☑ We expect significant cost control, with cost-to-income ratio declining to 24% by FY20 (v/s 26% in base case)
- ☑ Asset quality would show some improvement with GNPA of 3.4% by FY20 (v/s 4.2% in base case).
- ☑ This results in a PAT CAGR of 45% (vs. 35% in base case) over FY17-20 with RoA/RoE in FY20 equal to 2.5%/23%
- ☑ Based on the above assumptions, our bull case target multiple is 3.5x FY19 BV, implying an upside of 42%.

Bear Case

- ☑ In our bear case, we assume an AUM CAGR of 13% (vs. base case of 16%). Slowdown in the infra financing segment could lead to such a scenario.
- ☑ We expect margins to remain decline to 4.4% by FY20 v/s 4.9% in FY17.
- ☑ We expect moderate cost control, with cost-to-income ratio declining to 28% by FY20 (v/s 26% in base case)
- ☑ Asset quality would worsen with GNPA of 4.7% by FY20 (v/s 4.2% in base case).
- ☑ This results in a PAT CAGR of 21% (vs. 35% in base case) over FY17-20 with RoA/RoE in FY20 equal to 1.8%/15%
- ☑ Based on the above assumptions, our bear case target multiple is 2.2x FY20 BV, implying a downside of 18%.

Exhibit 34: Scenario Analysis – Bull Case

Bull Case	**FY18E**	**FY19E**	**FY20E**
Total Income	50,660	58,883	72,514
Opex	14,289	15,177	17,372
Provisions	14,783	13,312	14,598
PBT	21,587	30,393	40,543
PAT	15,623	21,389	29,355
NIM (%)	4.9	4.8	4.8
RoA (%)	1.9	2.2	2.5
RoE (%)	16.8	19.8	22.9
EPS	8.6	11.8	16.2
BV	51.5	60.9	74.2
Target multiple	3.5		
Target price (INR)	**213**		
Upside	**42%**		

Source: Company, MOSL

Exhibit 35: Scenario Analysis – Bear Case

Bear Case	**FY18E**	**FY19E**	**FY20E**
Total Income	46,935	50,270	56,295
Opex	14,410	14,508	15,552
Provisions	16,266	15,003	15,344
PBT	16,260	20,759	25,399
PAT	11,800	14,478	18,449
NIM (%)	4.7	4.5	4.4
RoA (%)	1.5	1.6	1.9
RoE (%)	12.6	13.9	15.8
EPS	6.5	8.0	10.2
BV	49.7	55.9	63.9
Target multiple	2.2		
Target price (INR)	**123**		
Upside	**-18%**		

Source: Company, MOSL

Financials and valuation

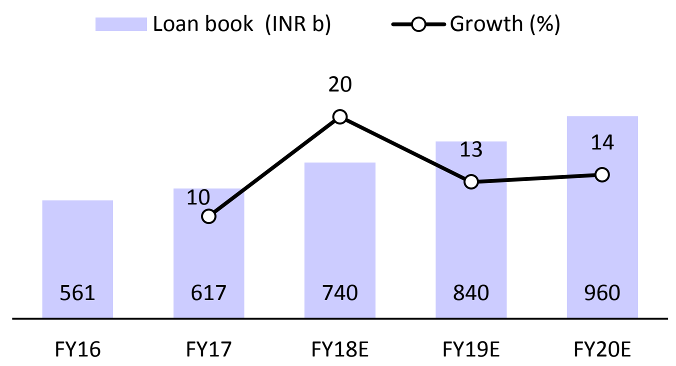
Re-rating to continue with strong management execution

- **L&T Finance Holdings (LTFH) is a quintessential turnaround story, in our view. From a company with 20+ product lines and sub-standard return ratios, it is gradually transforming itself to a focused financier with eight product lines across three verticals, with a target to achieve 18-20% RoE by FY20 (12% in FY17).**
- **With focused management and strong execution skills, the company is set to deliver 16% loan CAGR over FY17-20, driven by growth in the rural and housing finance segments. In addition, continued origination and down-selling in the infra finance book will drive fee income traction and thus RoE elevated.**
- **Strong growth and a decline in the expense ratio/credit costs should elevate RoA/RoE from 1.5%/12.4% in FY17 to 2.3%/19.2% in FY20. While the stock has re-rated well over the past year on account of strong execution by management, we expect re-rating to continue. We thus initiate coverage on LTHF with a Buy rating and a target price of INR180 (3.0x FY19E BVPS).**

Share of rural and housing finance to increase

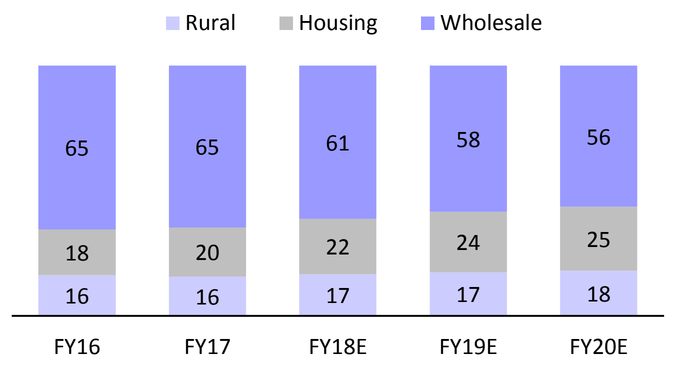
Management's clear intention is to allocate capital to the segments offering the highest returns. Its first priority is housing finance, followed by rural finance and wholesale finance. We believe the company has set the foundation to deliver 15%+ AUM growth over the medium term, driven by both rural and wholesale finance. As a result, we expect the share of wholesale lending to decline from 62% currently to 56% by FY20.

Exhibit 36: Consolidated loan book trend



Source: MOSL, Company

Exhibit 37: Loan book mix

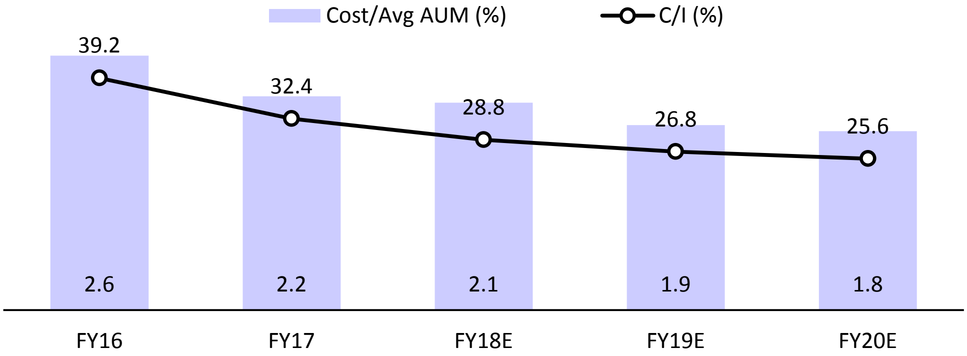


Source: MOSL, Company

Cost-control measures to drive C/I ratio down to 26%

With a slew of measures, LTFH managed to reduce its cost-income ratio by almost 700bp YoY to 32% in FY17. With benefits of enhanced digitization expected to accrue over the medium-to-long term, we expect this ratio to continue to decline. In addition, human resources currently engaged in collections in the de-focused book will be absorbed in other departments over the next few quarters.

Exhibit 38: Expected trend in expense ratio

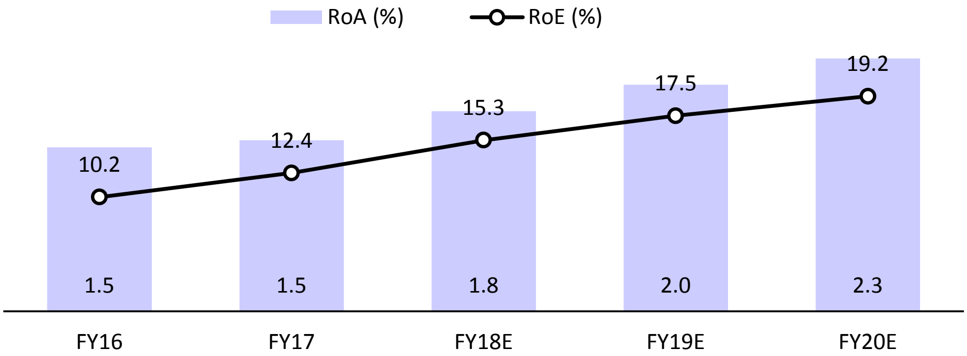


Source: MOSL, Company

RoE to reach 18% by FY19

We expect RoE to improve from FY17 levels, given (i) increasing share of rural and housing finance book, which command higher RoE than wholesale finance and (ii) declining credit costs in the wholesale finance book. Once LTFH builds a provision buffer of INR18-20b for stressed assets in infra finance by FY18, credit costs incrementally should decline sharply, in our view, leading to improved RoE.

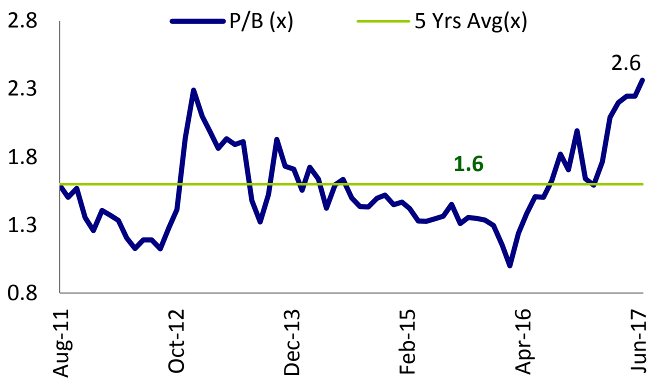
Exhibit 39: RoE to reach 19% by FY20



Source: MOSL, Company

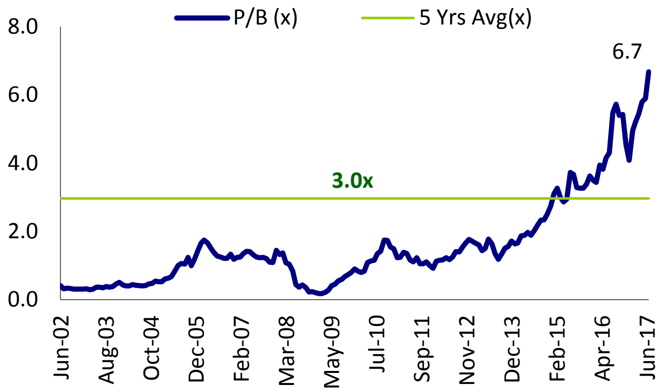
We value the company at 3.0x FY19E BV based on the residual-income model. Our key assumptions are Rf of 7.0%, CoE of 13% and a terminal growth rate of 5%. We thus initiate coverage with a **Buy rating and a target price of INR180**.

Exhibit 40: LTFH P/B chart



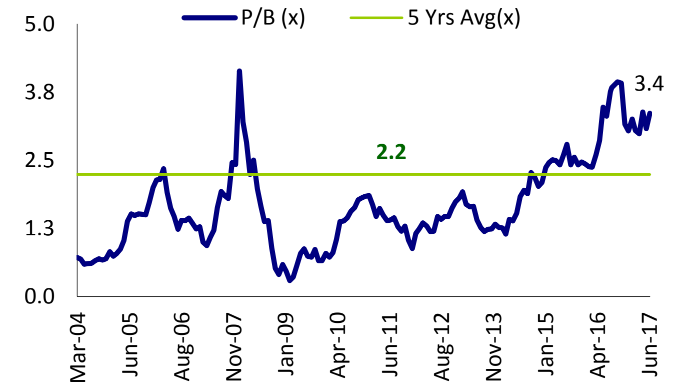
Source: MOSL, Company

Exhibit 41: BAF P/B chart



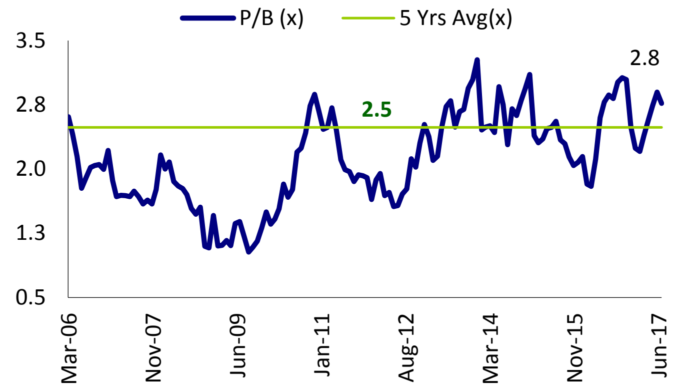
Source: MOSL, Company

Exhibit 42: CIFC P/B chart



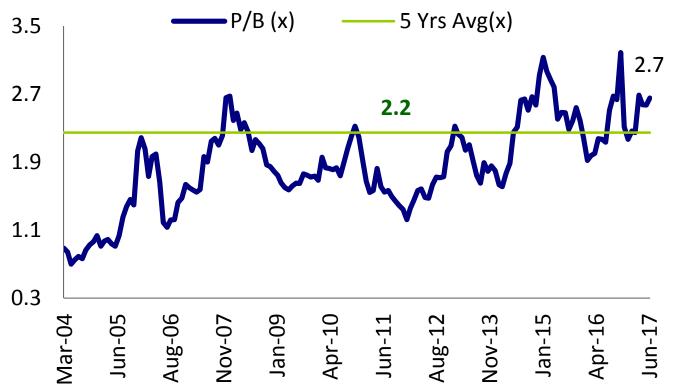
Source: MOSL, Company

Exhibit 43: MMFS P/B chart



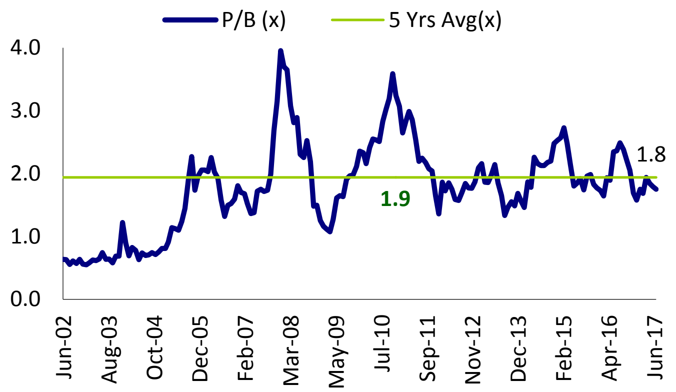
Source: MOSL, Company

Exhibit 44: SCUF P/B chart



Source: MOSL, Company

Exhibit 45: STF P/B chart



Source: MOSL, Company

Key risks

Rural economy still significantly dependent on farm income
While the rural financing segment offers unparalleled growth opportunities, it is also fraught with risks. Rural incomes in India are still largely dependent on agricultural or other farm activities. A downturn in the rural economy could pose severe asset quality problems for LTFH.

Competition from HFCs and banks in housing finance
Given strong growth opportunity and best-in-class asset quality in housing finance, HFCs and banks have become aggressive in this segment. In the construction finance segment, there has been huge inflow of money from other NBFCs and PE companies. Growth and asset quality could be impacted due to the hyper competitive environment.

Cancellation of PPAs in renewable energy
Over the past few years, the cost of power purchase in renewable energy PPAs has declines significantly from Rs7-8/KWh to Rs3-4/kWh. If SEBs renege on PPAs signed earlier, it could impact the financials of power producers and thus, LTFH.

Regulatory risk
Any changes in regulations by the RBI with respect to provisioning and capital adequacy could impact the company. However, we do not see this as a key near-term risk.

Company Background

L&T Finance Holdings (LTFH) in the holding company for all finance-related activities of the L&T Group. LTFH is among the largest NBFCs in India with a loan book in excess of INR650b and with 700+ points of presence across 24 states. It operates in retail/wholesale lending, as well as across 2W finance, tractor finance, microfinance, home loans/LAP, builder finance, infra finance and structured finance among other product lines. LTFH is rated AA+ by CARE.

Key management personnel

Mr Dinanath Dubhashi serves as MD & CEO of the company. He was promoted to the position of Managing Director in July 2016.

Exhibit 46: Management

Name	Designation	Description
Mr. Dinanath Dubhashi	MD & CEO	✓ Over 26 years of experience across multiple domains in financial services such as Corporate Banking, Cash Management, Credit Rating, Retail Lending and Rural Financing. He joined LTFH in 2007 and has been instrumental in scaling up the Retail business. Prior to this, he was associated with BNP Paribas, CARE Ratings and SBI Caps in various capacities. He holds a B.E. (Mechanical) degree and a PGDM from IIM Bangalore.
Mr. Sachinn Joshi	Group CFO	✓ Over two decades of experience across functions including Accounts, MIS, Audit, Tax, Treasury, Secretarial & Statutory Compliances and Admin functions. Prior to joining LTFH, he worked at Aditya Birla Finance, Angel Group of Companies and IL&FS Group. He is a qualified Chartered Accountant (FCA) and a Cost Accountant (FCWA). He has also done his post-graduation in Law (LLB-Gen) and completed Business Leadership Program (BLP) from IIM Calcutta.
Mr. Sunil Prabhune	CE – Rural & CHRO	✓ Around 20 years of experience in global and regional leadership roles. Prior to joining L&T Financial Services, he has been associated with ICICI Bank, GE and Novartis in various capacities. He is a Gold Medalist in Business Management from Xavier Institute of Management, Bhubaneswar, and holds a Bachelor's degree in Commerce from the Pune University.
Mr. Virender Pankaj	CE – Wholesale	✓ Over two decades of experience in Project Finance, Corporate Finance, Structured Lending and Stressed Asset Management. He has contributed significantly toward growth and reorientation of Project Finance Business. Prior to joining LTFH, he was associated with State Bank of India for more than 15 years. He holds a post-graduation in MBA (Finance) and a graduate degree in engineering.
Mr. Srikanth JR	CE – Housing	✓ Around two decades of experience in the financial services & banking industry across functions like corporate credit risk, commercial loans/capital market products and SME. Prior to joining LTFH, he worked with BNP Paribas, Dubai. He completed his MBA from IIM Lucknow and holds an engineering degree.
Mr. Kailash Kulkarni	CE – Investment Management	✓ Over two decades of rich experience in Sales, Business Development and Operations in the BFSI sector. Prior to joining L&T Mutual Fund, he was associated with Kotak Mahindra Asset Management, MetLife Insurance and ICICI Group, JM Financial, Eicher Motors Limited in different capacities. Mr. Kulkarni is on the board of the Association of Mutual Funds of India (AMFI). He holds an MBA from Institute of Management Development and Research, Pune.
Mr. Manoj Shenoy	CE – Wealth Management	✓ Over two decades in the financial services industry across private banking, investment banking, stock broking, estate and succession planning. Prior to joining LTFH, he worked in EFG Bank and Anand Rathi Financial Services. He is a Graduate Engineer from the Bangalore University.

Source: MOSL, Company

Financials and valuations

Income statement							(INR Million)
Y/E March	**2014**	**2015**	**2016**	**2017**	**2018E**	**2019E**	**2020E**
Interest Income	48,719	59,025	68,174	77,710	87,342	98,135	110,118
Interest Expended	30,739	35,678	41,241	46,270	51,687	57,629	63,914
Net Interest Income	**17,980**	**23,347**	**26,933**	**31,439**	**35,655**	**40,506**	**46,205**
Change (%)	20.6	29.9	15.4	16.7	13.4	13.6	14.1
Other Operating Income	3,653	4,349	6,533	8,013	13,901	14,855	17,561
Net Income	**21,633**	**27,697**	**33,466**	**39,453**	**49,556**	**55,362**	**63,765**
Change (%)	29.8	28.0	20.8	17.9	25.6	11.7	15.2
Operating Expenses	9,123	10,771	13,129	12,765	14,263	14,831	16,315
Operating Income	**12,510**	**16,926**	**20,337**	**26,688**	**35,292**	**40,530**	**47,450**
Change (%)	19.9	35.3	20.2	31.2	32.2	14.8	17.1
Provisions/write offs	4,261	6,617	7,810	15,899	15,643	13,910	14,700
PBT	**8,249**	**10,309**	**12,527**	**10,789**	**19,649**	**26,620**	**32,750**
Tax	2,300	3,014	3,990	364	5,435	7,977	9,099
Tax Rate (%)	28	29	32	3	28	30	28
PAT	**5,948**	**8,734**	**8,537**	**10,425**	**14,214**	**18,643**	**23,651**
Change (%)	-18.4	46.8	-2.3	22.1	36.4	31.2	26.9
Preference Dividend	760	1,102	1,671	1,244	1,200	1,200	1,200
Change (%)	4,965.3	45.0	51.7	-25.5	-3.6	0.0	0.0
PAT	**5,189**	**7,632**	**6,866**	**9,180**	**13,014**	**17,443**	**22,451**
Change (%)	-28.7	47.1	-10.0	33.7	41.8	34.0	28.7

Balance sheet							(INR Million)
Y/E March	**2014**	**2015**	**2016**	**2017**	**2018E**	**2019E**	**2020E**
Capital	27,184	30,837	29,668	29,691	29,691	29,691	29,691
- of which equity share capital	17,184	17,203	17,534	17,534	18,172	18,172	18,172
Reserves & Surplus	41,072	46,562	53,237	60,202	74,141	88,989	108,148
Net Worth	**68,257**	**77,399**	**82,905**	**89,893**	**103,832**	**118,680**	**137,840**
Borrowings	**358,536**	**420,906**	**516,157**	**598,111**	**718,728**	**813,517**	**928,980**
Change (%)	26.9	17.4	22.6	15.9	20.2	13.2	14.2
Other liabilities	21,817	29,117	37,221	35,952	39,547	43,502	47,852
Total Liabilities	**448,609**	**527,422**	**636,283**	**723,955**	**862,107**	**975,699**	**1,114,672**
Loans	**386,972**	**457,631**	**560,654**	**617,248**	**740,323**	**840,266**	**959,687**
Change (%)	20.2	18.3	22.5	10.1	19.9	13.5	14.2
Investments	**27,303**	**26,492**	**35,633**	**60,115**	**66,127**	**72,740**	**80,013**
Change (%)	48.2	-3.0	34.5	68.7	10.0	10.0	10.0
Net Fixed Assets	7,287	7,185	6,962	6,189	6,498	6,823	7,164
Total Assets	**448,609**	**527,422**	**637,463**	**725,136**	**863,288**	**976,880**	**1,115,853**

E: MOSL Estimates

Financials and valuations

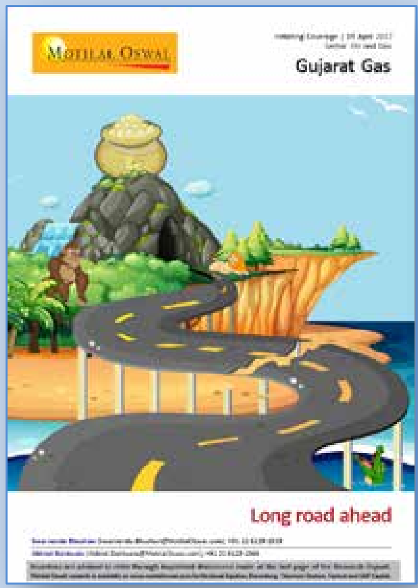
Ratios							
Y/E March	**2014**	**2015**	**2016**	**2017**	**2018E**	**2019E**	**2020E**
Spreads Analysis (%)							
Avg Yield on Loans	**13.2**	**13.5**	**13.0**	**12.8**	**12.8**	**12.8**	**12.8**
Avg. Yield on Earning Assets	12.9	13.1	12.6	12.2	11.8	11.4	11.3
Avg. Cost-Int. Bear. Liab.	**9.6**	**9.2**	**8.8**	**8.3**	**7.9**	**7.5**	**7.3**
Interest Spread	**3.3**	**4.0**	**3.8**	**3.9**	**3.9**	**3.9**	**3.9**
Net Interest Margin	**4.8**	**5.2**	**5.0**	**4.9**	**4.8**	**4.7**	**4.7**
Profitability Ratios (%)							
RoE	9.2	12.5	10.2	12.4	15.3	17.5	19.2
RoA	1.5	1.8	1.5	1.5	1.8	2.0	2.3
Int. Expended/Int.Earned	63.1	60.4	60.5	59.5	59.2	58.7	58.0
Other Inc./Net Income	16.9	15.7	19.5	20.3	28.1	26.8	27.5
Efficiency Ratios (%)							
Op. Exps./Net Income	42.2	38.9	39.2	32.4	28.8	26.8	25.6
Empl. Cost/Op. Exps.	30.0	32.7	37.1	38.7	34.6	33.3	30.2
Asset Quality (%)							
Gross NPAs	12,430	14,281	17,354	24,900	31,769	35,744	40,763
Gross NPAs to Adv.	3.2	3.1	3.1	4.0	4.2	4.2	4.2
Net NPAs	8,895	9,630	11,540	14,610	18,616	20,673	23,610
Net NPAs to Adv.	2.3	2.1	2.1	2.4	2.5	2.5	2.5

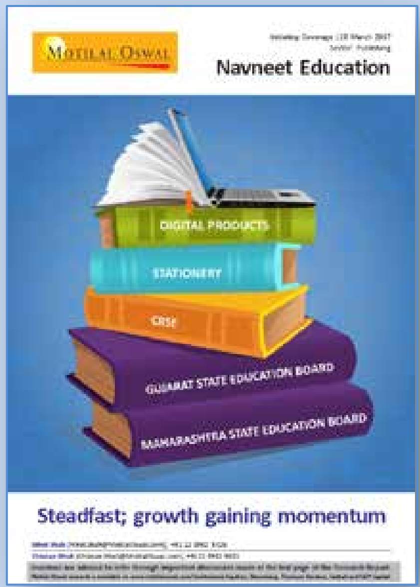
VALUATION							
Book Value (INR)	33.9	37.1	40.4	44.3	50.8	59.0	69.5
Price-BV (x)				**3.4**	**3.0**	**2.5**	**2.2**
EPS (INR)	3.0	4.4	3.9	5.2	7.2	9.6	12.4
EPS Growth YoY	-28.8	46.9	-11.7	33.7	36.8	34.0	28.7
Price-Earnings (x)				**28.6**	**20.9**	**15.6**	**12.1**
Dividend per share (INR)	0.7	0.8	0.8	0.9	0.9	1.2	1.6
Dividend yield (%)				**0.6**	**0.6**	**0.8**	**1.0**

E: MOSL Estimates

REPORT GALLERY

RECENT INITIATING COVERAGE REPORTS





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