

**TRANSCRIPT OF THE FOURTEENTH ANNUAL GENERAL MEETING OF L&T FINANCE HOLDINGS LIMITED HELD ON MONDAY, JULY 11, 2022 AT 3.30 P.M. THROUGH ELECTRONIC MODE (VIDEO CONFERENCE OR OTHER AUDIO-VISUAL MEANS) AND CONCLUDED AT 5:00 P.M.**

**Mr. S.N. Subrahmanyam, Chairman:**

Good afternoon all and a warm welcome to the Fourteenth Annual General Meeting of L&T Finance Holdings which is held through video conference in accordance with the circulars issued by MCA. I, thank you for taking time off from your busy schedule to join us today.

I am attending the AGM from the registered office of the Company at Mumbai. I now request my fellow Directors who are attending the AGM to introduce themselves.

**Mr. Dinanath Dubhashi:**

Good afternoon, I am Dinanath Dubhashi, Managing Director & Chief Executive Officer of the Company.

**Mr. R. Shankar Raman:**

Good afternoon, I am . R. Shankar Raman, Non-Executive Director of the Company.

**Mr. Shailesh Haribhakti:**

Good afternoon, I am Shailesh Haribhakti, Independent Director of the Company and am attending the AGM from Mumbai.

**Mr. P. V. Bhide:**

Good afternoon, I am P. V. Bhide, Independent Director and Chairperson of the Stakeholders' Relationship Committee and the Audit Committee of the Company and am attending the AGM from New Delhi.

**Mr. Thomas Mathew T.:**

Good afternoon, I am Thomas Mathew T., Independent Director and Chairperson of the Nomination & Remuneration Committee of the Company and am attending the AGM from Mumbai.

**Dr. Rajani R. Gupte:**

Good afternoon, I am Rajani R. Gupte, Independent Director of the Company and am attending the AGM from Pune.

**Mr. S.N. Subrahmanyam, Chairman:**

Mr. Prabhakar B, Non-Executive Director and Mr. Pavninder Singh, Nominee Director are unable to attend the meeting due to exigencies.

Along with the Directors, we also have the Group Executive Committee of your Company attending the AGM over video conference.

We also have the Company Secretary, Ms. Apurva Rathod attending this Meeting.

Members who are participating in the AGM over video conference are being reckoned for the purpose of quorum as per regulatory requirements.

The Company has taken all feasible efforts to enable Members to participate through video conference and vote at the AGM.

Representatives of the Statutory Auditors and Secretarial Auditor of the Company have joined the AGM from their respective locations.

Also, as the requisite quorum to conduct the proceedings of the AGM is present through video conference; I call this AGM to order.

The Annual Report including the Notice convening the AGM and the unqualified statutory auditors' report and unqualified secretarial auditor's report have been sent through electronic mode and the same be taken as read.

I now begin with the AGM speech with your permission.

#### **CHAIRMAN'S ADDRESS**

As I preside over my first AGM, as the Chairperson of the Board, I look back in appreciation of Mr. Shailesh Haribhakti's leadership in establishing LTFH as a leading, sustainable and well-capitalised financial institution.

Thank you very much Sir.

His stewardship of the Board and contribution, specifically in the areas of data analytics, sustainability and risk management has been significant. Which, along with the collective efforts and business strengths have helped build a resilient business model with a digital competitive edge. One that helped LTFH successfully navigate through the stormy waters of the past two years while ensuring consistent delivery, in service of our customers, community and stakeholders.

In FY22, we witnessed the world emerge from the pandemic, reiterating the importance of resilience, team work and foresight. As an economy, India continued to grow as one of the fastest rebounding economies post pandemic, as per IMF Annual Review. Furthermore, a dynamic, self-reliant and digital India is in the making through Atmanirbhar Bharat, which is a cause for optimism for us all.

If FY21 was all about retooling mindsets, strategies and businesses, FY22 was about recovery and as we move forward, all I see is hope, positivity and gratitude.

Despite the uncertain business environment, in FY22, the Company accomplished several milestones including improved financial performance metrics, strengthened businesses, and revisited strategic priorities for the next phase of growth. We also expanded the leadership team and got on board well-experienced new talent in order to meet our future business aspirations.

In the fiscal, the Company continued to exhibit solid execution ability by delivering focused outcomes across businesses:

- In line with our stated 'Retailisation' objective, this year saw retail becoming the largest-proportion of the lending book at 51% and we will continue to take this forward
- We had the highest-ever retail disbursements of ~Rs. 24,900 crores
- Our cost of borrowings at 7.50% was the lowest-ever
- NIMs plus fees at 7.84% was the highest-ever
- I am pleased to state that today, the Company is a very well-capitalized company with a strong capital adequacy ratio of 22.88%
- Furthermore, we are in the process of monetising the mutual fund business through 100% stake sale
- We are also amongst the first in the NBFC sector to raise low-cost credit through a Sustainability Linked Rupee Loan, which reflects well on future borrowings
- And on ESG front, the Company has achieved water neutrality in FY22 and has adopted the target of being carbon neutrality by FY35

I am happy to share that today, we are amongst the largest financiers of Farm Equipment and rank amongst the top 5 in Micro Loans and Two-Wheeler Finance. The Company has also established a strong liability franchise and has a 'AAA' credit rating by four of the largest credit rating agencies, attesting to the high degree of safety.

A committed and dedicated workforce has been the key to help the Company achieve these milestones.

LTFH holds a special and strategic importance to L&T. As you all know, L&T is focused on building a strong services portfolio and hence along with our IT companies, the financial services business is an important component of the Group's overall plans and that is for sure. We expect LTFH to be a key value-driver in the long-term.

L&T group - in the past, had stated that it will maintain strategic linkages, management oversight and control, majority shareholding and support lines towards financial services on an ongoing basis. Over the years, L&T has been providing strategic oversight to the Company and I believe it will only continue to grow stronger.

Before I move on with our way forward plans, I would like to pause, and take inspiration from the Bhagavad Gita which states that basically everyone makes different choices basis reflection of their past learnings, but we become different when we choose something 'Right'.

In order to move forward to the next growth phase, the Company has chosen and defined its own 'Lakshya 2026', a plan in line with our parent's 'Lakshya', with the aim of creating a top-class digitally enabled retail finance company. Lakshya 2026 is built on the narrative of moving forward from a 'product-focused' to a 'customer-focused' top-class retail finance company.

We are well-positioned for the future through Lakshya 2026 and aim to achieve our goal by building on 4 key pillars:

1. *Sustained Profit and Growth Engine:*

We aim to leverage 5 growth vectors i.e.; continue with product excellence, geographical-expansion across rural and urban markets, cross-sell & up-sell to existing good customers

as well as prospects, digital based channel expansion and launch new products, while keeping the customers' need at the core.

I am pleased to state that towards this goal, we have already launched a pilot for SME loans in FY22. These loans will help address the financing needs of SMEs, one of the largest contributors to the country's GDP.

#### *2. Demonstrable strength in risk management:*

We are preparing for a fast-evolving risk paradigm, by creating a tech-enabled framework to 'future-proof' LTFH. The Company will build upon the practices developed as part of LTFS 2.0 and deepen capabilities required to manage emerging risks in an agile manner.

#### *3. Creating a Fintech@scale:*

We will continue to use our data analytics prowess and digital offerings to strengthen partnerships across the customers' lifetime. We will be focusing on data mining our 2 Crore+ customer base and this customer 'scale' will be leveraged to acquire new 'good credit' customers with the help of various digital channels. In fact, we have recently done a soft launch of our customer mobile app - 'LTFS PLANET', which has already seen around 1.50 lakh downloads.

We are continuously working towards using additional data sources to develop capabilities and further enrich our customer offerings. These include developing the ability to identify customer needs, comprehending customer profile, track record and propensity to buy, thereby creating pre-approved hyper-personalised offers. To further enhance our capabilities in addressing the customer needs faster, we are also working towards creating a world class Digital and IT platform which will substantially reduce the go to market time for new product launches.

Furthermore, we are seeing increased interactions from our newly introduced self – service channels such as self-help portal, WhatsApp, chatbot, etc. for servicing our customers.

Our targeted end-state is to have a D2C marketplace that would create a deep-rooted integrated ecosystem dominating the customer mind space, thus nurturing communities and building customer lifetime partnerships.

#### *4. Sustainable future growth through ESG:*

We started our ESG journey in FY19 and have continuously built on the ESG practices in service of all our stakeholders. We understand that right ethical, environmental and social responsibility is the true enabler for profitability and sustainable future growth.

I have stated this in the past, and will reiterate it today as well, that managing our client expectations and requirements is crucial in today's competitive environment. Our customers will continue to remain at the core of all our businesses. Being quality conscious, with focus on timely provisions of services and delivery of products, will remain the core driving strategy.

With ambitious targets in place, our unwavering focus on customers' needs and our digital and data analytics prowess, I am confident that we will surely drive scale, build efficiencies and cater to a geo-agnostic customer base across rural and urban markets.

As a leading financial institution offering formal credit in rural and urban India, we are conscious of our role as facilitators and enablers. Our products and services help customers attain financial independence and create sustainable livelihoods, all-important for a nation's progress.

With access to organised finance, a two-wheeler customer can safely and comfortably travel for work. Tractor loans help farmers increase yield and prosper. Home loans enable not just an individual, but help realise a family's dream.

Micro-loans help transform rural communities by crafting micro-entrepreneurship ecosystems for women in India's villages. For many of us, who come from rural backgrounds, this will resonate very strongly. Our products and services help customers attain financial independence and create sustainable livelihoods.

And through our businesses, we will continue to add value to our customers, by partnering in their progress and helping them finance their dreams and aspirations.

This planet is our only home and we are ensuring that the Company's operations have a positive impact on communities as well as the environment. Towards this, among other things, the Company is already water neutral, and is taking bold strides toward achieving its carbon neutrality target by FY35. The recent Sustainability linked rupee loan we raised from a well-known institution is a testament to the fact that we are making strides in the right direction.

Our employees are fundamental pillars of our growth journey. We truly appreciate the benefits of 'Diversity, Equity and Inclusion' in the workplace and are working towards improving diversity across the Company. We are an equal opportunity employer with respect to recruitment, promotion and pay which demonstrates the Company's commitment to promote equality and carry out business in accordance with principles of social justice.

An independent, diverse Board oversees business operations with an emphasis on following the highest standards of corporate governance. We consistently reinforce the judicious relevance of good governance practices, which we believe is vital for stable, sustainable, and productive growth of the Company. We continuously align our governance practices with emerging trends and strengthen our policy framework to avoid any conflict or legal breaches.

On a closing note, we look to the future with renewed optimism, and a strong belief in our ability to achieve the aforementioned goals by building a Fintech@scale in service of our customers. Our targets are set, as we get ready to create many more milestones.

We owe a debt of gratitude to all the 24,500+ employees, who worked with the same level of zeal and enthusiasm that led to results. I would also like to thank all our stakeholders for their continued support. We could not have done this without our shareholders support as well as the support of the communities we operate in. I envision greater achievements for your Company and look forward to another successful year ahead.

I would like to in particular thank Mr. Dinanath Dubhashi and his entire team for having really gone through this very crucial and tough pandemic covid phase and bringing out the Company very successfully under the able leadership of Mr. Shailesh Haribhakti. And I hope that on behalf of all of you, I can continue to thank Mr. Dinanath Dubhashi and his team for having done a good job and for continuing to do that in future.

Thank you very much.

I will now request the Company Secretary to brief the Members on certain points relating to the AGM proceedings.

**Ms. Apurva Rathod, Company Secretary:**

- The statement annexed to the Notice in connection with the special business contains the objectives for which the resolutions are proposed to be passed. The floor will be opened for any questions by Members after all the resolutions are tabled.
- All speaker Members joining the AGM will by default be placed on the mute mode and during the question-answer session, on announcement of the name by the Chairman, the speaker Member will be put on the unmute mode. If a speaker is unable to speak due to connectivity issues, the name of such speaker Member shall be announced once again at the end i.e., once the other Members who have registered to speak have finished speaking.
- For inspection of necessary documents/registers required to be made available till the conclusion of the AGM, Members are requested to write to the Company at [igrc@lfs.com](mailto:igrc@lfs.com) and the documents/registers will be made available electronically.
- As the AGM is held through video conference, the requirement for appointment of proxies is not applicable and therefore the proxy register is not available for inspection.
- In accordance with the regulatory requirements, the facility to vote on the business items to be transacted at the AGM by electronic means was provided through remote e-voting, from Friday, July 8, 2022 to July 10, 2022.
- Members who have not voted through remote e-voting can vote using the e-voting option, made available by CDSL.
- The Company has appointed Mr. S. N. Ananthasubramanian, Practicing Company Secretary, as the scrutinizer for scrutinizing the e-voting process.
- The results of the voting on resolutions will be declared within 2 working days based on the Scrutinizer's report and the same will also be displayed on the website of the Company and CDSL post intimation to the stock exchanges.
- For any technical support in connection with the AGM, Members may contact the helpline number mentioned in the notice of the AGM.

Now, I handover the proceedings to the Chairman.

**Mr. S.N. Subrahmanyam, Chairman:**

Thank you Apurva.

With the permission of the Members, I will now commence transacting the business contained in the Notice dated April 29, 2022 by calling the brief description of the resolutions.

**Resolution No. 1:**

To consider and adopt the audited standalone financial statements of the Company together with the report of the Board of Directors and the Auditors thereon for the financial year ended March 31, 2022 and the audited consolidated financial statements of the Company together with the report of the Auditors thereon for the financial year ended March 31, 2022.

**Resolution No. 2:**

To declare dividend of Rs. 0.50 per share on Equity Shares of face value Rs.10 each.

**Resolution No. 3:**

To appoint a director in place of Mr. Dinanath Dubhashi, who retires by rotation, and being eligible, offers himself for re-appointment.

**Resolution No. 4:**

Mr. Prabhakar B., Director liable to retire by rotation who has not offered himself for re-appointment be not re-appointed and the vacancy so caused be not filled.

**Resolution No. 5:**

To approve sale of undertaking under Section 180(1)(a) of the Companies Act, 2013.

The e-voting window shall now be activated for Members to vote during the AGM. Members are requested to vote in accordance with instructions specified in the notice of the AGM.

Members who have registered themselves as speakers may now ask questions concerning the Annual Report. I request the speaker not to repeat the questions to the extent you can and which have already been asked and to confine the speech to matters relating to the Annual Report up to a maximum period of three minutes.

Now, can I request our first speaker to speak, Mr. Bimal Kumar Agarwal

**Mr. Bimal Kumar Agarwal:**

Hello, can you hear me?

**Mr. S.N. Subrahmanyam, Chairman:**

Namaskar, Good afternoon, how are you?

**Mr. Bimal Kumar Agarwal:**

Good afternoon, sir, first of all, I would like to thank the Company Secretary and the team for sending the link for joining the AGM and I'll come to the point.

**Mr. S.N. Subrahmanyam, Chairman:**

Yes, sir. Can you please go ahead?

**Mr. Bimal Kumar Agarwal:**

Hello! Hello!

**Mr. S.N. Subrahmanyam, Chairman:**

We can hear you, please go ahead.

**Mr. Bimal Kumar Agarwal:**

Hello! Hello! Can you hear me?

**Mr. S.N. Subrahmanyam, Chairman:**

Bimal Kumar ji, we can hear you, kindly go ahead.

I think there is some technical glitch. We will go to the next speaker and come back to Mr. Bimal Kumar Agarwal.

The second speaker is Mr. Kaushik Narendra Shahukar.

**Mr. Kaushik Narendra Shahukar:**

Good afternoon, everyone, am I audible sir?

**Mr. S.N. Subrahmanyam, Chairman:**

Yes sir, you are audible. Good afternoon to you sir.

**Mr. Kaushik Narendra Shahukar:**

Firstly, I would like to thank the Board of Directors for giving me an opportunity to speak in this forum. Many of you would remember me from the conversation in the past years. So, I will keep both my ask and introduction in brief.

I hope I'm clearly audible.

**Mr. S.N. Subrahmanyam, Chairman:**

You are audible, sir. Please go ahead. Can you come closer to your mic and speak? Thank you.

**Mr. Kaushik Narendra Shahukar:**

Myself Kaushik Shahukar from Mumbai, a Practicing Chartered Accountant.

Sir, I have been suffering from Dystonia, which has rendered 55% of my body paralyzed, impacting my right hand, my right leg and speech. While I have not let that come in my way of becoming a Practicing Chartered Accountant, I request your support for helping me to be self-reliant.

I hope I'm audible?

**Mr. S.N. Subrahmanyam, Chairman:**

Yes, sir. You are, please go ahead.

**Mr. Kaushik Narendra Shahukar:**

As per our conversation we had last year about me working for our organization including Form 15CB, however, nothing has progressed since. I would request that our organization could start engaging me in this area as soon as possible.

Thank you for the opportunity to speak today and I hope to see a positive movement forward with my ask.

I support all the resolutions. Finally, the metaverse will unfold and transform our enterprise

Thank you once again.

**Mr. S.N. Subrahmanyam, Chairman:**

I'll request our Chief Executive Officer and Managing Director, Mr. Dinanath Dubhashi, to answer your question, sir.

**Mr. Dinanath Dubhashi:**

Mr. Shahukar, we definitely take on board your request to work for us. If nothing has happened in last one year, I do apologize for the same. We definitely owe you an answer.

The secretarial department will forward you the email address of our Chief Financial Officer, Mr. Sachinn Joshi. Kindly send your application to him. It is our promise that we will definitely get back to you as to what progress can be made. Thank you.

**Mr. S.N. Subrahmanyam, Chairman:**

Take care of your health, sir.

I'll go to the third speaker, Ms. Navneet Kaur Reen.

**Moderator:**

Chairman Sir, speaker number three is not available. So, I request you to go to the next speaker.

**Mr. S.N. Subrahmanyam, Chairman:**

Okay. Speaker number four. Mr. Hasmukhlal T Vora.

**Mr. Hasmukhlal T Vora:**

Can you hear me?

**Mr. S.N. Subrahmanyam, Chairman:**

Yes, sir. We can.

**Mr. Hasmukhlal T Vora:**

Yeah, I am Hasmukhlal Vora from Mumbai.

Thank you for allowing me to speak at our AGM. I have two or three points. One point is the shareholding of the Foreign Portfolio Investors (FPI) and Foreign Institutional Investors (FII) has reduced compared to their earlier shareholding. Even, the Indian Institutions are also holding less than what they used to hold earlier.

So, what is the problem? Is there lack of confidence in our Company?

I would like to have the views of the Company. Because actually the holding of our parent company has slightly increased in the Company as compared to the previous holding.

Secondly, the share price of the Company has reduced to half from ~Rs. 199 to ~Rs. 70. So, what is the reason? Is there any external reason or internal reason? We are all layman and ordinary investors who are investing our hard earned money, putting confidence in the Company.

So, I would like to have the views of the Company. Lastly, I would like to know about the NPAs of the Company? How do we stand as far as NPA is concerned?

Thank you and all the best.

**Mr. S.N. Subrahmanyam, Chairman:**

Thank you, sir. Very nice of you to ask these questions. These are very important questions.

Let me try to answer it one by one.

On FII holdings, due to the strengthening of the dollar, rise in inflation and better interest rates especially in the United States zone, much of the selling is happening in the FII space as they are selling it in India and taking the dollar back to the United States. That is why very often here in the newspapers also, we read about the Reserve Bank of India intervening to prevent the rupee from sliding further, as rupee is one currency that has

moved away from ~Rs. 75 to ~Rs. 79 - 80 in the last few months because of the huge selling by FIIs to take back money to the United States. This is as a result of many geopolitical factors, including the ongoing war in Europe. Let us hope that this war comes to an end and things settle down. I feel that FIIs will come back at some point of time.

On L&T buying more of L&T Finance shares, only tells you that the parent is very confident about the Company. Further, the fact that I myself who was the Chief Executive Officer and Managing Director of L&T has become the Non-Executive Chairperson of the Company adds to it. Also, it is a fact that to look at L& T Finance with more capitalisation from L&T and to look at it with more rigor and vigor than what we normally have is why we have bought a little more holding into L&T Finance. We believe that L&T Finance is an important part of the group and we will continue to do what is required in the best interest of the organization therefore be rest assured.

Secondly, the share price is a multiplicity of factors and due to many factors, it goes up and comes down. It is really not in the hands of the Company to determine what would be the share price. At best what the executives of the Company can do is to keep performing, performing and performing. I can assure you that we have an excellent management team. We have the largest market share in rural finance in the country. We are one of the largest farm equipment, rural two-wheeler and micro finance loan providers and all these loans are doing very well with very little NPAs.

Rest assured, as retail segment has already moved up to ~51% and the stated aim is to move to 80% during the plan period until 2026, which is our strategy plan. You will find the Company doing much better and hopefully the share price would also go up.

Now, can I request Mr. Dinanath Dubhashi, the Chief Executive Officer and Managing Director to answer on the NPA part?

**Mr. Dinanath Dubhashi:**

Yes, sir. Thank you.

So, as, as the Chairman has said, the Company has very good plans and we have shared it in the Annual Report of increasing retailisation continuing to gain market share and keep doing well. One part of that plan is also to keep very strict control on the gross and the net NPAs. So, the GS3 under the new IndAS are the lowest in several years now at ~3.8% and the NS3 is ~2%. Further, as we have stated in our Annual Report over the next four years, we plan to bring this down to ~2% and ~1% respectively. The said plan is good Sir and as the Chairman said we hope that the market price will take note of that soon. Thank you.

**Mr. S.N. Subrahmanyam, Chairman:**

Speaker number five, please. Ms. Mamta Vinay Mimani.

**Moderator:**

Speaker number five is not available. I request you to call upon the next speaker.

**Mr. S.N. Subrahmanyam, Chairman:**

Mr. Vinay Vishnu Bhide

Mr. Vinay Vishnu Bhide

**Mr. Vinay Vishnu Bhide:**

Hello!

**Mr. S.N. Subrahmanyam, Chairman:**

Yes, sir. Yes, sir. We can hear you.

**Mr. Vinay Vishnu Bhide:**

Yeah, Good Afternoon sir, I am Vinay Bhide and I do not have sufficient bandwidth available on my side. I request the host to start the video.

Hello?

**Mr. S.N. Subrahmanyam, Chairman:**

Yes. We can see you sir.

**Mr. Vinay Vishnu Bhide:**

Fine. The Chairman, Mr. S.N. Subrahmanyam, Managing Director and Chief Executive Officer Mr. Dinanath Dubhashi, Mr. R Shankar Raman, Mr. Shailesh Haribhakti and other Directors present today, Company executives and the shareholders, good afternoon to you all. As announced, I am Vinay Bhide, a shareholder from Mumbai. I have noted a few queries from the Annual Report and they are as follows Sir.

The first question is on the NIMs + fees, which for the previous financial year has gone up from 6.95% to 7.84%. So, my question here is that as per Annual Report I have noted that the Company will endeavor to continue to hold the NIMs, as we stand here at this point in the current financial year what is the NIMs that you are looking for?

That was question number one, for question number two, I request you to go to standalone working where the revenue from operations comprises of 1/3<sup>rd</sup> from interest and the rest comprises of the dividend income. My question here is that if we compare this with the previous financial year, the division was equal. So, what has been for the reason for the drop in the interest part and what are we doing to restore that?

Third question, I request you to refer to the consolidated working, the rural finance gross revenue and profits are up but it is not from housing and infrastructure finance parts of the business. So, what are the reasons for the drop in revenue as well as the profits of these two verticals, how do we stand in the current financial year?

Fourth question is on the capex expenses. What have been the capex expenses for digital and IT in the concluded financial year? Further, what are the planned capex for digital and IT for the current running financial year?

The last question relates to expenses on advertising. What were the expenses on advertising in the concluded financial year? and a sub question to that, what percentage of advertising expenses were on digital?

That was the last question.

Now I will close with these points, sir, but, you know, I support all the resolutions, including the resolution for dividend and the resolution for re-appointment of Mr. Dinanath Dubhashi.

Thank you for giving an opportunity to speak. I wish the Directors and the employees all the best.

**Mr. S.N. Subrahmanyam, Chairman:**

Mr. Bhide, thank you very much. You really have gone through the Annual Report page to page, line to line and I am really happy when a shareholder does that. We really appreciate you. Now, these questions are very tough for a Chairman to answer, therefore, I request, Mr. Dinanath Dubhashi, who made the Annual Report to answer these questions to you.

**Mr. Dinanath Dubhashi:**

Thank you, sir.

To give some background on NIMs + fees. Our cost of funds is continuously going up as RBI tightens the interest rates. In fact, you would know that RBI has tightened the policy interest rates by ~75 bps over the last 2-3 months so obviously our cost of funds will also go up. The endeavor of the Company will be to keep it limited by the Asset Liability Management strategies that we have always followed. When the interest rates were low, we have locked in good amount of long term funds at good rates and that would keep our rise of cost in also in control.

The second important fact sir, as the Chairman was saying that since we enjoy leadership positions in many of our products, our ability to pass on a part of that increase also to our final customers is also good in the market. Based on that we have this confidence and we are making this statement that our endeavor will be to hold interest rates means the NIMs + fees at those levels, we hopefully may increase the same, but we can't talk about any specifics right now, but yes, we will definitely even in the rising interest rate scenario try and maintain those NIMs + fees which you will agree are at a very healthy level already.

The second question you asked was specifically from the standalone holding company level and the difference between the interest income and dividend income. The proportion of two will depend simply on whether the holding company is having surplus funds invested as loan to its subsidiaries or equity in its subsidiaries and as that surplus keeps coming down the holding company's interest will come down. So, the holding company's interest doesn't come from external sources, it comes from money given to the subsidiaries. Actually, dividend is a good income to have since it that means it has invested in equity of subsidiaries. It is only a standalone result and my request will be not to pay too much attention as it basically depends on how much money we have invested in equity and debt of the subsidiaries.

The third question was why real estate and infra revenues have been coming down. Very clearly Sir, we have always said that we will move towards retailisation. So just about, ~4 to 5 years back, the percentage of retail was ~25% and as the Chairman stated that we are at ~51%, continuously increasing this year and if all goes well, we will be in excess of 80% retail in the next 4 years. Naturally, the retail revenues will go up and infra and real estate revenues will come down. Our endeavor will be to see that the retail revenues go up much more obviously than the infra revenues come down and hence the overall revenues and profitability will go up.

Your second question on capex is very interesting. Actually, to answer it ~Rs. 50 crores have been spent on digitization but it is important for you to know that gone are the days where a lot of capex used to happen on IT where you had to buy lots of servers and huge equipment. Now is the time of shared infrastructure or cloud, so most of the expenses actually happen as revenue expenses as salaries and expenses paid for Google cloud etc. Therefore, capex spent on IT is no longer that important as long as total expenses on IT are capitalized for certain projects. Be rest assured that your Company is not letting any stone unturned for investing in the latest of technology. In fact, as you would've seen from the Chairman's speech that we are setting to put Fintech@scale, so the absolute cutting edge technologies will be used. We are in fact moving towards setting up a marketplace for which complete state of art technology will be used. The important thing now is to see that you don't need to own a lot of this infrastructure. There are people like Azure, Google who have this shared infrastructure, best of it, which we can use.

Advertising, as you would have noticed, we don't do much above the line advertising. Our advertising is of two types. One is at our point of presence that is dealers etc., we do our advertising which is very cheap and second large part of advertising is on digital media itself. So that answers, that is the direction that the Company will be taking, you will not see too many hoardings on the highways. You will be seeing advertising done at a very basic level at dealer places in villages which costs very less. The digital advertising is a value added advertising. I hope that this answer satisfies you and Chairman sir, we can move to the next speaker.

**Mr. S.N. Subrahmanyam, Chairman:**

Yes, I hope Mr. Bhide, you are happy and satisfied with the answers.

Now we'll go to the next speaker, Mrs. Lekha Satish Shah.

**Mrs. Lekha Satish Shah:**

Hello. Can you hear me Sir?

**Mr. S.N. Subrahmanyam, Chairman:**

Haan Ji, Haan Ji

**Mrs. Lekha Satish Shah:**

Thank you, sir. Respected Chairman sir, Board of directors and my fellow members.

Good afternoon all of you! Myself Lekha Shah from Mumbai. First of all, I would like to welcome our new Chairman Mr. Subrahmanyam ji and also, I am very happy that Company

is doing very well in the field of CSR activities. Sir, I am very much thankful to our Company Secretary, Apurva Ma'am and especially Nagaraajan Ji for extending very good investor services and also sending me the AGM Notice well in time which is full of knowledge, facts and figures in place and also Nagaraajan Ji who has always answered all my calls and happily cleared all my doubts. Once again, thank you so much Nagaraajan Ji. Chairman Sir, I pray to God that she always showers her blessings upon you. Sir, I would like ask you questions.

My first question is that during the year how many two wheeler loans were given to customers in the rural areas?

My second question is how much is the lending to real estate sector?

My third question is during the year what CSR activities were undertaken and which were the areas of operation?

I would like to say I strongly support all the resolutions for today's meeting and my best wishes for our Company and for its prosperity. Thank you, sir.

**Mr. S.N. Subrahmanyam, Chairman:**

Lekha ji, thank you very much for being present today and happy to hear your lovely voice. We really appreciate the way you have gone through the Annual Report and asked some very good questions. As you know, the Company is moving into retail. As Dinanath mentioned and I also mentioned we are now 51% retail. Our real estate loan is now ~Rs. 11,200 crores, which is ~13% of our total book and we expect it to be around this.

On two Wheeler loans, we are heading in the right direction. We are moving into urban finance of two wheelers also. We distribute these loans through more than 70 branches and we have disbursed loans to more than ~6.5 lakh customers and it's a good business.

On the CSR activities, I'll request my colleague Mr. Dinanath Dubhashi to detail out the answers for you.

**Mr. Dinanath Dubhashi:**

Sure. Well, our CSR is mainly in two areas, but let me talk about what we call our real flagship project, which is called Digital Sakhi. Digital Sakhi is a project for digital financial inclusion, through this flagship CSR project LTFS has created livelihood opportunities and educated both women and the community to imbibe the habit of digital financial literacy. If you would have seen in villages, anyway literacy is less, then financial literacy is less and the digital financial literacy is even less. The Government of India has launched so many schemes for money to reach directly to the rural people and the Company is actually helping that by educating people on the same.

Simultaneously, the rural women entrepreneurs have also been upscaled and trained towards enterprise development, enabling them to have a better quality of life, earn some money for themselves and their families.

We have reached out to ~20 lakh beneficiaries creating awareness of financial literacy and over the last two years, we have used the same channel to create awareness for Covid vaccination also. It's not that we are supporting continuously the same people. ~92% of the

Digital Sakhis have actually exited the project and are undertaking livelihood generating activities themselves. They have actually become independent so that we can now support more people. ~142 Digital Seva Kendras are up now and in our financial literacy activities, we have aligned with the RBI mandate and are now conducting it across five states. If you measure it by adoption of digital payments in the community, almost 80% are now adopting for digital payment. This is our main project, the second field where we put our CSR contribution is towards disaster management for disasters like floods, cyclones, etc.

In FY22, the year under review, LTFS was at the forefront of providing relief for the Yaas Cyclone in West Bengal and the floods in Maharashtra by providing humanitarian aid kits to ~22,500 beneficiaries. Building on the success of the Integrated Water Resource Management Project and to ensure that the benefits continue to accrue to the poor / marginalized communities, the Company has now supplemented its efforts by enhancing capacities of Water User Groups to 170 comprising 1,600+ small farmers. And last but not the least, 68,000+ trees have been planted in draught prone areas. So, these two are our major CSR activities, other than that we do take small activities like supporting the police force in some places or giving nutritional support to some marginalized communities, but mainly these two are what your Company is concentrating on.

Thank you.

**Mr. S.N. Subrahmanyam, Chairman:**

Thank you, Dinanath.

Mrs. Lekha, Thank you very much for these questions.

Speaker no. 8, Mrs. Prakashini Ganesh Shenoy.

**Ms. Prakashini Ganesh Shenoy:**

Hello! Can you hear me Sir?

**Mr. S.N. Subrahmanyam, Chairman:**

Haanji, of course!

**Ms. Prakashini Ganesh Shenoy:**

Subrahmanyam Sir, Namaskaram! I am Prakashini Shenoy from Bombay. Respected honorable Chairman S. N. Subrahmanyam Ji and other dignitaries of the Board and my fellow shareholders, good evening to all of you.

I received the AGM report well in time which is self-explanatory, contains all the information as per corporate governance. I thank Ms. Apurva and her team for the same. I should not forget to thank Mr. Nagaraajan for calling me and reminding me about the Meeting without which I won't be in a position to speak. Once again, I thank Apurva Madam and Nagaraajan sir.

The Chairman has given an excellent speech regarding the thick and thin of the Company. I wanted to ask many questions, but most of them are covered. I'm thankful to the Board for recommending dividend for the financial year 2021-22. I am also glad to know that the

Company has done excellent work in respect of CSR activities. Sir, I have a few questions. Please, let me know the number of four wheelers loan and total amount spent during the financial year 2021-22.

Question number 2, how is the Company planning to progress towards digital future?

I wish the Company good luck for a bright future and pray God that the profit of the Company reach the peak in due course.

Sir, I support all the resolutions put forth into today's meeting. Thank you, sir.

**Mr. S.N. Subrahmanyam, Chairman:**

Mrs. Shenoy, Thank you very, very much for these lovely words of appreciation of both Ms. Apurva and Mr. Nagaraajan. I will request Mr. Dinanath Dubhashi to answer both your questions.

**Mr. Dinanath Dubhashi:**

Thank you, sir. Ma'am, if you mean four-wheeler cars or commercial vehicles, we are not in that business. A tractor is also a four-wheeler which is normally not understood as a four-wheeler. We are market leader in tractors; however, your question was more about cars, I think. We don't do car finance business and about two wheelers, Chairman has already answered that question.

I would answer with great excitement your second question - what is the digital future? What we are doing? I will just tell you what all we are doing today. So today through our various channels we are reaching our customers for not only doing business collection, but also servicing. Through our WhatsApp and chatbot channels, if you are a customer, all your servicing requests can now be done digitally.

As the Chairman said, customer is the king and the customer should not be required to unnecessary keep coming to the branch or calling up to get his simple requests done. The second step is for doing new business, how we are making it completely hassle free for the customer. Gone are the days where customer had to sign a thick agreement. Today in most of our businesses from start to finish in matter of seconds or in some businesses in matter of minutes, straight through end to end, digital process is done. Even loan agreements are signed digitally. In a small business-like micro loans also our App, that we have launched, no paper document is needed. Everything happens digitally. As far as collections are concerned, we have the facility across businesses for the customer to be able to pay digitally.

We also realize that in the Rural India, digital penetration is less, but we are still trying to increase it. Our CSR is also towards trying to increase their knowledge so that they can pay. This is where we are already. Now the plans are even more exciting than this.

We will continue to work by reducing turnaround time, launching new products all digitally, end to end digital and the processes would be more and more hassle free. These are basic things we will do, but the more exciting one is actually our digital App where you can do business collections as well as servicing completely on the App. A soft launch has already taken place and we will be doing a major launch. As the Chairman mentioned in his speech that over the next 2 to 3 years, we are working on a marketplace where once a customer

comes and takes a loan from us, whether the customer is a farmer or a normal urban consumer, many other things needed by the customer in his day to day life should be available on our marketplace for him to do. So, not only concerning our business with the customer, but generally associating ourselves with the entire customer life cycle and making it digitally possible is what we are working at. What helps us in this is our database of about ~2 crore+ customers and if you take the associated database of their relatives, guarantors, etc. prospects, we have our database of close to ~7 crores customers, prospects, etc. Using that digitally, doing a lot of data analytics on that, digital is where we are looking at expanding our entire retail push that we spoke about.

The Balance sheet will go up and not only it will grow, but it would majorly grow digitally. Hence, I said that I'm very excited to answer this question. The digital future of the Company is very exciting and our Chairman has named it Fintech@scale and we are all very excited about it.

**Mr. S.N. Subrahmanyam, Chairman:**

Thank you, Mrs. Shenoy.

Speaker number 9, Mr. Santosh Kumar Saraf.

**Mr. Santosh Kumar Saraf:**

Haan ji, Namaskar.

**Mr. S.N. Subrahmanyam, Chairman:**

Namaskar Sir.

Mr. Saraf?

We can see you Sir, please go ahead.

**Mr. Santosh Kumar Saraf:**

Greetings to Honorable Chairman, Board of Directors and fellow shareholders. I am Santosh Kumar Saraf from Kolkata.

I hope everyone present here is in good health.

I have sent questions in advance.

In addition to the questions already sent, I have a question regarding the mutual fund business. ~4 to 5 mutual fund schemes are not performing as compared to other mutual fund schemes. What are the steps the Company is taking in this regard?

Earlier, L&T Emerging was in top and collection was also good to investors. However, since the past 4-5 years our mutual fund schemes are going downwards. Request you to think on this and if required change the CEO, Mr. Kailash Kulkarni and shift him to another department. We require improvement at the end.

Second thing is that I will not take your much time as I have already sent questions and my wife is also not well.

With this I want to conclude and I hope and wish that FY22-23 will be great in terms of health, wealth and prosperity for everyone.

Jai Hind! Jai Bharat! Namaskar.

**Mr. S.N. Subrahmanyam, Chairman:**

Saraf ji, thank you very much for these questions. You are one of the rare shareholders who is very concerned with environment, sustainability, plastic wastage and so on. As you are aware, L&T Financial Services does a lot of work in this. I'll request my colleague Dinanath to answer in detail to your queries.

**Mr. Dinanath Dubhashi:**

Saraf Ji, namastey and thank you. I will take the mutual fund question first. I agree whatever you are saying is correct. There was under performance in mutual fund schemes in last 2 years. It is the tendency of the business to keep swinging. I hope you remember that ~2 years back these funds were top performers. After taking steps in last six months by fund managers, many of our schemes fall under top two quartile but you will not be able to see absolute performance as the whole market went down.

If we consider same category of funds the performance is as follows:

For L&T Flexi Cap Fund, we are in top quartile. The emerging businesses / focused Equity has reached top two quartile and its performance is improving and hopefully it will continue to improve as the steps are being taken by the fund managers.

I request you to be more patient and as our Chairman sir said, we are selling 100% stake in mutual fund business to HSBC and in this year the transaction is proposed to be completed. However, till the business is in our hand we will make sure that it keeps on improving.

On your another question regarding what lessons have we learned from this pandemic period for better readiness of the Company?

We have taken 3-4 lessons from Covid pandemic. A pandemic like this comes once in a century. It has affected the whole world very badly. It had stayed for ~2 years and now also we are talking or forecasting about forthcoming waves.

The first thing which we have learnt is to always protect the Balance Sheet. The Company's capital adequacy is very good and the provisional coverage is also healthy.

The second thing is to always have a business continuity plan. Any event may occur at any time like illness of employees from the top management or all employees of a team might be ill as it happened in the Covid pandemic. Therefore, our business continuity plan is all about that the department work should not get affected.

The third learning which is most important, last but not the least, which we were doing from the start but are now more focused about is employee welfare. The health and safety of

~25,000 employees during the period of Covid pandemic. The Company has taken various measures for protection, i.e., health and insurance. We ensured to take care of the lives of the families of our 18 employees who lost their lives. The principal of the L&T group is to ensure health and safety of our employees.

The most important lesson in Covid pandemic is that if you take care of your employee, employee will take care of the Company.

Thank you for asking this question.

You had raised two questions regarding e- wastage and usage of plastic bottles.

Firstly, our e-wastage policy is very clear. The e-waste disposal is carried out through authorised e-waste handlers who are selected through a competitive process. The vendor shares the disposal report and the green certificate that the e-waste was handled correctly. The Company is very conscious about this.

We use glass bottles for drinking water. Plastic bottles are banned in the Company as you can see glass bottles and glasses are placed on the tables.

Your last question was about gender gap. We believe on the policy of best person for the job. There is no change in the responsibilities based on the gender of the employee. We are equal opportunity employers.

We have various schemes to help female employees during their pregnancy etc. so that female employees feel very comfortable.

At branches level, less women employees are opting even if we are promoting women employees also in the field of collection, sales etc. At head office level we have 25% women employees. Even in our Group Executive Committee, we have 3 senior women employees i.e.,30%. Last but not the least, Dr. Rajani Gupte is also on the Board of the Company.

We respect our sisters and we will continue to provide equal opportunities to female employees.

Thank you.

**Mr. S.N. Subrahmanyam, Chairman:**

Thank you, Mr. Saraf.

Mr. Hiranand Kotwani.

**Mr. Hiranand Kotwani:**

Hello! I am audible?

**Mr. S.N. Subrahmanyam, Chairman:**

Yes, sir.

**Mr. Hiranand Kotwani:**

Let me start the video.

Respected Chairman and other dignitaries,

**Mr. S.N. Subrahmanyam, Chairman:**

We still cannot see you sir.

**Mr. Hiranand Kotwani:**

Okay okay.. It's all right. My video here is started. I fail to understand.

**Mr. Dinanath Dubhashi:**

You might not have bandwidth in your connection, you can continue.

**Mr. Hiranand Kotwani:**

Okay.

The Company has not performed excellently. The NBFC should perform minimum ~8%–16%. If it is 8%, then it's okay, however, 16% is very good and more than 16% is excellent. Our profitability is not there. The standalone EPS is less than one. If dividend is paid for the sake of it, then it should not be there. We have a long way to go, in many years we will not remain but institution will remain. I am associated with Larsen and Toubro for more than 40 years. What is the reason of decline in net loan book from ~87,000 crores to 82,000 crores? You said good thing regarding the employees of 25,000 but certainly this a finance company where there is net loan book. Gentleman, the net loan book has declined. What is the reason for the same? What is the reason for monetizing the mutual fund business and how many shares did we sell this year in the stock market?

How many and how much investment does the Company have in listed companies? If you can please elaborate. The Company has to learn from HDFC as I am associated with HDFC, earlier they had not performed but certainly they perform tremendously and are giving good dividend.

In the long term vision and mission, the Company should consider giving Rs. 2-9 dividend after 2-3 years rather than giving 0.50 paise dividend. HDFC gives ~ Rs.16 to 21 dividend. The vision and mission of the Company should be clear.

The Nomination and Remuneration Committee has great importance to look into that in the time being because Covid is a blessing in disguise. It reduced the cost and increased the operation and ease of doing business. Further, I wanted to know the amount of fees paid to Catalyst Trusteeship to act as trustees of bonds and debentures. If I'm correct, there are other trustees, IDBI, SBI and Axis. How many debentures or perpetual bonds we have and at which interest rate? As you said, you have 8%, 9% redeemable or non-redeemable compulsory convertible preference shares. Now, I wanted to comment on the interim dividend. Why is the interim dividend paid? It should be final. When your business is

financial in nature, the interest, capital and utilisation of the capital plays an important role. So, we have to see in that direction, what the Company should do.

Our subsidiaries are not doing well. L&T Finance Limited and L&T Investment Management Limited are showing profit, however, others are not showing profit. What is the reason for the same? How do you consolidate it and achieve synergies, and economies of scale to improve the all-round operation of the Company? You have a long way to go, particularly the various segments – insurance, asset management, mutual fund, and other verticals. You can do it with huge man power. With huge goodwill how we're looking at other vertical. I am here of the opinion that growth and prosperity should be there.

We are with you. We will provide support for rights issue. No problem. Certainly. Give us guidance and elaborate on all these things. Thank you and good luck.

**Mr. S.N. Subrahmanyam, Chairman:**

Mr. Kotwani, thank you very much, lovely questions. I guess, in your life, you've been a consultant for asking such incisive and terrific questions. You are right. We are, as you are aware, in the NBFC sector, this sector for certain reasons of the market got affected a few years back with a major meltdown that happened, which you're fully aware. After that the sector got into heavy scrutiny by the Reserve Bank of India and is under more and more regulated framework. Now, we were very diversified at that point of time because we had aspirations to become a bank. However, due to various reasons, because L&T Finance is principally owned by a major industrial conglomerate and RBI did not want to look at industrial conglomerates also getting into banks, the license did not come through and then we toned down our aspirations and remained a NBFC.

In the history of the Company, it diversified into wholesale finance which is infrastructure, it went into real estate finance, wealth, mutual funds and so on and so forth. As you can see over the last few years, we are trying to restructure the Company and to make it more focused. We have moved out of wealth, which we sold a few years back. We are moving out of mutual fund, which we are selling to HSBC Bank and hopefully the transaction should be completed before the end of the year. We are seriously looking at our real estate portfolio and we are making the Company more and more retail. Retail portfolio, which was hardly ~10-15% of the Company, this year is nearly 51% of the Company and by plan end, which is 2026, we hope to make retail nearly 80% of the Company and that is a trend towards which the Company is moving.

We're also trying to make the Company a highly digitally focused Company as Dinanath answered a few minutes back and I also mentioned it in my speech. We are trying to make right from loan sanctions to disbursements to collections everything digital and trying to make the customer experience so totally perfect there's hardly any human interface from sanctions to loan collections. All this, I think will help the Company make it a Fintech@scale at some point of time, which is not very far away. It is also a fact that when we started various businesses due to regulations and otherwise, we had to open many subsidiary companies. However, as you can see the trend even last year, we have merged L&T Housing Finance and L&T Infra into L&T Finance Limited. We are trying to make it a single company but there are certain regulations which come in the way of doing it, but we will continue to pursue that objective as we go further.

Now, some of the shareholders request for dividends and some of them stated that preserve the cash in your hand. Now, even for paying a dividend in a finance company

there are regulations and the dividend that we have paid right now is keeping in view the RBI regulations of how much dividend can be paid out of the net profits earned by the Company. We did want to reward our shareholders because every one of us have gone through this pandemic and we didn't want to say that in spite of making money, the Company being highly capitalised and in a good wicket did not distribute money to a shareholder who are the whole and soul of what the Company is all about and that's why we declared dividend this year. Anyway, to continue with little more details on what is said and to elaborate further on how the Company is proceeding on some of the points that you raised, including looking into the future, I'll request Dinanath to answer the questions in little more detail.

**Mr. Dinanath Dubhashi:**

Thank you, sir.

I think Chairman sir has given you a very good long term perspective that you wanted. So certainly, the Company has been affected over the last two years because of the pandemic and whatever happened to the overall sector and many other NBFCs. The important thing is that the future plan has been well laid. It moves on the strengths that the Company has built. The Company has built strengths in retail products, the Company has built strengths in the way it has controlled its NPAs and the Company has built strengths in digitization last but not the least Company has built strength in ESG, then making all this sustainable and that's what we will be working towards and certainly all of us hope to see, like all of us shareholders also, is that the Company's performance will keep improving as we go ahead.

There is clearly a long-term plan and sir, we have done something very unusual of putting that long term plan in the Annual Report actually, including the targets of Lakshya 2026. The management is responsible to be able to follow that plan, as we go ahead.

I will answer some specific questions, what is this interim dividend? This interim dividend is not on equity shares, interim dividend is on preference shares. We have some preference shares that we had issued and under the terms of the issue, there is dividend to be paid, I think twice a year on the basis of which there is one interim and one final dividend. It is like a loan only. So, it's the preference share and for that interim dividend.

Drop in book is entirely due to the reduction in our wholesale book. Our real estate lending has stopped for the last two years. The drop in book is not to be taken as if the Company is doing badly. In fact, the retail book has actually continuously gone ahead. The retail book was just about ~Rs. 35000-36000 crores 3 years back and we ended this year at ~46,000 crores. Further, maybe next year we will definitely cross Rs. 50,000 crores of retail book. Therefore, the book which is profitable is continuously actually improving.

On mutual fund, you asked why we are selling the same. As the Chairman said, at various times, we have been looking at each business as to whether we are getting the maximum out of that business and whether we can take leadership position in that business. If you see most of our businesses, we are in the top five. And we had a look at our mutual fund business to come in the top five. Currently, we are at number 13 or 14. How much we will have to invest to come to top 5 was looked at. However, with that investment, we would rather do retail and digital through which we would get much more returns. That is the way we thought it is in the interest of the shareholders to monetize mutual fund and use that money which comes to put capital into the retail growth which can give the shareholders much better return. So that was the call.

Thank you for the long-term support that you have assured, and we will be counting on that, sir, and your blessings to continue to do better and better in the future.

**Mr. S.N. Subrahmanyam, Chairman:**

Mr. Kotwani, rest assured the management has thought through the next 4 – 5 years on the clear plan, which as Mr. Dinanath said, has been put in the Annual Report and also on the website. The Company is moving towards Fintech@scale and you'll see good results, much, much better and greater results as we move forward with clear focus and we count on all your support towards this and be rest assured on that.

Our next speaker, Mr. Nalin Shah.

**Mr. Nalin Shah:**

Hello Sir, am I audible?

**Mr. S.N. Subrahmanyam, Chairman:**

Yes, sir. Very clearly audible. Good evening to you.

**Mr. Nalin Shah:**

Good evening, Sir.

Good evening to the entire board and the entire team at L&T Finance. I appreciate the in depth opening notes given by you at the starting. It is to be appreciated that our Company is inching closer to the Lakshya 2026 mark by achieving 80% of the retail book over next say 4 to 5 years. Sir, you gave very in depth things on the digital front and everything. I have some very clear and very simple questions. You know, we were closely examining the books and we found that where on one side, your rural and consumer book is growing Y-o-Y with excellent ROE and good profitability margin, the housing book, which is ~25% of the AUM is lagging behind on all the fronts.

Now, the ROE and profitability of housing division has eroded completely and PAT has fallen by ~85% to mere 60 crores and the AUM is still at Rs. 22,000 crores and ROE is minuscule even to mention about it. Similarly, your gross NPA in the housing book has gone up from 1.5% to almost 8% in less than 12 months, why such a performance?

So, my next question is, as we are inching closer to Lakshya 2026 where you have given a target in Annual Report that you will be growing at 25% CAGR and reaching 80% of the book, so apart from the retail, what will be the position of all the other segments especially your other major segments where the AUMs are high. What has happened since FY19 that our profitability has been consistently coming down? I agree there was Covid impact and everything, but, you know, when we compare to the other majors, especially Bajaj Finance, M&M Finance and Sundaram, we are lagging behind on all the fronts, our performance has been lagging behind, sir.

Sir, our profitability margin is ~9% as compared to 22% of Bajaj Finance and Sundaram which is 25%, Similarly, the gross NPA stands at 3.8% as compared to 1.6% of Bajaj. The capital adequacy ratio is around 22.9% for us where it is around the range of 27% for all

the other three. Similarly, sir, we are making almost Rs. 1,050 crores of profitability on AUM of Rs. 88,340 crores as against Bajaj which is making a profitability of Rs. 7,000 crores+ on AUM of Rs. 1,92,000 crores and Sundaram which has a smaller AUM than us is making a higher profitability. So, we just want to understand that from last 3 to 5 years, we had not been able to perform. Our dividend is very minuscule and our share price, as someone in the previous speaker pointed out that we are the retail investors, he is right, because the share price has corrected from almost Rs. 200+ to what it is right now at Rs. 73 in last 3-4 years.

With you coming on Board and with your vision of 2026 and 80%, we are very much confident, but at the end of the day, sir, we are retail investors and we want to see what is tangible, what we get in the monetary terms to us as an investor. I would just like to have these basic answers sir and I hope that we cross not just 80, but 90%+ by Lakshya 2026 with excellent margins and, all the investors make excellent returns over next 4 to 5 years. Sir, my heartiest wishes are with you and our Company. You are from excellent brand name, with an excellent team in place. I just wish that we get what it was before last 3-4 years.

**Mr. S.N. Subrahmanyam, Chairman:**

Nalin bhai! Thanks for those questions which really makes it head spinning and makes us want to perform better to show it to you as a shareholder. The whole ambition and aspiration and vision of the management is to do that. As I answered to the previous shareholder, Mr. Hiranand Kotwani, every company has a history and we also have a history and we diversified into many products and segments hoping that on a broader sense, this will become a one stop financial institution. We were in the NBFC space and that space got badly affected with what happened to IL&FS and as we were about to recover from that, the pandemic occurred and again, we got affected because pandemic beyond affecting the cities also affected the rural market place in a big way. We were very heavily present in the rural market scenario.

Beyond that the pandemic also affected the infrastructure finance, which we had lent to - roads and solar companies, etc. and it also affected the real estate business because nobody wanted to buy a flat and everything was at a standstill because many people had lost jobs, etc. Now, let us look at the positive side of it. As one of the shareholders said, in every adversity, there's an opportunity by looking at how to move out of all these things into a different world. One of the competitors you mentioned is purely on the retail finance side and obviously on the retail finance side, one is able to show very good results because that is a B2C kind of business. Now, what we are trying to do is also emulate it in certain manner of our own, but with a different background.

Now we have moved the Company from about 30% retail to nearly 51% retail. Our loan books are nearly ~Rs. 46,000 crores on the retail side. It is a 25% Y-o-Y growth and it is a very profitable business with hardly any NPAs. We are moving into that. Now, if you look at it the other way, we are the largest farm equipment, two wheeler, micro finance loan givers on the rural side. We're trying to move the ability that we have to the urban side. Request you to give us some time and we will do it. There are certain portfolios inside, which got built up due to the nature of the business. We had a wealth fund, which we sold it. We had a mutual fund business, which we are selling to HSBC which is awaiting regulatory clearances and hopefully by year end, it should come through. We are seriously analyzing our real estate portfolio. Now, if this sort of cleaning up occurs by this year end, suddenly you will find that the Company becomes a predominantly retail Company and then lot of

funds are released. The overall loan book will come down, but then the Company will accelerate its growth into areas which is more profitable, less NPAs with more trustworthy and good customers. We believe that the many of the rural customers that we have of nearly ~7.3 crores, as Dinanath mentioned, as a total customer base, and maybe about ~2.3 crores of really active customers, who we believe are very genuine people. We have not farmed them. When I say use the word farming, it is we are not gone into them for giving them loans into more and more of their life or more and more of their activities. This is what we need technology to exploit and take it forward through use of like data analytics and AI and ML and so on and so forth. I feel very confident about what the management was thought through on its 5 year strategy plan.

I feel very confident that we are on the right path, I feel very confident. I don't know how to describe the share price, but retail investors ultimately want that. I cannot predict that, but I believe, if you follow this path and we continue to plough on this path, the business will only improve. The profitability will only improve. Hopefully the share price would see better standing from that point of view, but to answer you in more detail I'll request Dinanath to be in his own passion self, and answer you in his own manner to describe to you how he's taking this forward.

**Mr. Dinanath Dubhashi:**

Thank you, sir. So, the first question I think Chairman has answered it in great detail, so there is very little that I can add to this, the housing business which consists of two parts retail housing, which is mortgages, where we admit that in the last 4 years or so, we have not been able to scale it up, but last year, if you see Q-o-Q, we have scaled it up and we have got some very good people. We have got our act absolutely right there now, and we are scaling it up and you will see big growth happening in mortgages area. The second part, which caused the big issue as you said, NPAs have gone up, etc., that is real estate, the builder finance part. That's the business as the Chairman said, we are cleaning up, we are reducing, we are moving out, using various ways to see how we can move out in a proper way and not in a haphazard way, but in a way that the P&L is not affected very badly and various ways are being examined.

Once this exercise is over, I believe housing will be a business which will tremendously help in growth and profitability of the Company. On the last two years profitability, I would like to say a few things, profitability achieved up to FY19 was almost double this number of Rs. 2,200 crores and ROE of 18% is actually a true indicator of what this Company can do and what this portfolio has in it to make and we are hopeful of achieving that potential as we go ahead.

So, while last two years, the performance was you know, maybe 50% of that, the main reason as the Chairman said, were problems coming into the NBFC sector because of IL&FS as well as because of Covid. However, there is one more very important thing that I would like to point out, our profit for last year was Rs. 1,000 crores, but something that you would've noticed is in addition to, because you are so strong in numbers, I would like to point this out, that NPAs are well provided up to 50%. In addition to that, we are carrying almost Rs. 1,700 crores of extra provisions, management overlays, as it is called. A previous question I was asked was what are the learnings you learned from pandemic? This is one of the main learnings that when you keep something for uncertainties, your performance after that is quite regular. Just think this of Rs.1,700 crores, which we have kept as reserves, and as the pandemic fears completely go away, we will start releasing slowly. The profitability is surely going to improve.

Secondly, with retailisation, as you rightly said, 80% is the minimum target we have taken. Hopefully we will go up to even more than that. With these two things, we are quite sure that over the next 4 years, profitability will improve sir. The Board of Directors and the management are very thankful to the shareholders for all the patience you have shown. We realize that the retail shareholder wants dividend and to see the improvement in share price. We are hopeful that with improvement in performance and thanks to all your support, your Company will start delivering that very soon. Thank you.

**Mr. S.N. Subrahmanyam, Chairman:**

Thank you, sir. The first speaker could not get on to the system at that point of time. Mr. Mr. Bimal Kumar Agarwal, are you still there, sir?

**Bimal Kumar Agarwal:**

Yes. Yes. Good evening to everyone.

**Mr. S.N. Subrahmanyam, Chairman:**

Sir, we have not forgotten you. You see that? We came back to you.

**Bimal Kumar Agarwal:**

Sir. Yeah. Yeah. Thank you very much.

First of all, I would like to thank the Company Secretary and his team. He just called up, like are you ready.

Yeah, I told yes. Thank you.

**Mr. S.N. Subrahmanyam, Chairman:**

He did not tell me, sir. I remembered you and called you.

**Bimal Kumar Agarwal:**

Now I would come to the main point. The Company has posted lower profit during FY22. Please explain when we can expect improvement in profitability. Interest rate cycles have turned up and we are seeing rising interest rates, please explain impact in the rising interest rate on the operation of the Company? and what is a bad loan book? I want to know regarding the shares going to IEPF, somewhere it is written that if you didn't complain within one year then after seven years your shares will go to IEPF and sometime it's written that if in continuing seven years you don't claim shares, then only it will go. I want to know what is the correct thing. Thank you very much.

**Mr. S.N. Subrahmanyam, Chairman:**

Appreciate Sir, I request Mr. Dinanath to answer your questions.

**Mr. Dinanath Dubhashi:**

Sir, you were the first speaker, but unfortunately you were not able to speak, so I think we have covered the answers in other questions. However, I will still repeat for your benefit. Improvement in profits, as I said, this year's profit of Rs. 1,070 crores was after keeping Rs. 1,700 crores of additional provisions. That is something a sort of kitty that we are carrying. Secondly, as we continuously improve the quality of the book and the percentage of retail, profit should go up and that's why we have quite aspirationally put up those targets that we have put up in the Annual Report. We definitely want to improve the profitability of the Company for the shareholders and we will see that as each of these measures start working Q-o-Q basis, you will definitely see a substantial improvement over the next 4 years, which is the plan period of Lakshya.

As far as rising interest rates are concerned, we have taken two steps. One is rising interest rates is a reality. It is going to affect everybody, but we have taken two steps. One is we have, when the interest rates were low, raised fairly medium term to long term resources. We didn't depend only on short term resources and hence our cost of funds to a large extent is long term. However, with rising interest rates, our cost of funds will also go up. Hopefully with our strategy, they will go up less than what the overall increase in the market is. Secondly, sir because of the leadership that we have in our retail products, we have a very good capability of passing on some of the increases. So, what we call NIMs+fees, we are quite confident of maintaining them at least at the current level. The treasury and finance is doing extremely well on that.

I will answer specifically what measures have been taken by the management or secretarial department for the unclaimed shares. So, what happens is today we have ~15,665 unclaimed shares in the accounts of about 149 shareholders. These shares were transferred to escrow demat account because of non-availability or mismatch of demat accounts and IPO and right issues were processed through online bidding platform of stock exchanges. This can be transferred only upon the receipt of valid claims with supporting documents from shareholders. Our secretarial department, as lot of shareholders have said, will be always be there for you to help you in any of these problems that we can sort out for you. Rest assured, sir, if any of your shares or dividend is unclaimed, even if there have been transferred after a particular period to this investor protection account, our Company Secretary and her department will do everything to make sure that you or your relatives or whoever is the shareholder will not lose their money. Thank you.

**Mr. S.N. Subrahmanyam, Chairman:**

Thank you. The e-voting facility will remain open for 15 minutes from the end of the AGM to enable those members who are not casted their vote and would like to cast their vote.

We are grateful to all of our members who participated through the video conference facility. I also thank all the Directors of the Company for having spent the time and for taking part in this AGM. I now declare the meeting as close. Thank you. Good luck. Take care.