L&T Finance Holdings

Q4 FY22 Earnings Call Transcript

May 2, 2022

Moderator:

Good morning, everyone. On behalf of L&T Finance Holdings Limited, I welcome you all to the Annual Investor and Analyst Meet for the Financial Year 2022. We thank the august audience for gracing the function.

We have with us today, our Managing Director and CEO – Mr. Dinanath Dubhashi and other senior members of the management team.

Before we proceed, as a standard disclaimer, we would like to provide that some of the statements made on today's meet may be forward looking in nature and a note to that effect is provided in the Q4 and FY22 results presentation and the Lakshya 2026 presentation uploaded on our website. Also, request you all to kindly put your mobile phones on silent.

I would now like to invite Mr. Dinanath Dubhashi – our MD and CEO to please come on stage and provide us with a detailed perspective on Lakshya 2026.

Dinanath Dubhashi:

Thank you, Karthik. A very good morning and thank you to all of you. I think before I start my presentation, the first feeling, performance, results, analysis, on one side and just the feeling of seeing all of you after two years, on another side, genuinely feeling so good to see all of you safe. Let us also at this time recognize the tremendous efforts put by workers in the industry, forget just L&T Finance, over the last 2 years. Just imagine that we are all meeting and feeling good after meeting after so long, these are the people who have been toiling on the field and also taking care of themselves, taking care of their family and still making sure that results are delivered, so my thank you to all of them.

Today, 2nd May 2022, I remember a day just one short of 6 years back which was 3rd May 2016, when I stood on a similar stage in some other hotel and presented the strategy what later became LTFS 2.0. Many of you were there, my management was there, I was there, yes, we have changed, we have all changed, I have got many more grey hairs than what I had that time, but important thing is that strategy has genuinely transformed the Company, but at the same time let me admit that the output results of the strategy has been a mixed bag, admittedly so. There are many things which worked very well according to the strategy, perhaps even better than the strategy. The strategy involved delivering top quartile ROE through right businesses, right structure, right people. We did all that right and in fact till, the first three years, we had a very good journey to top quartile ROE.

On business side, the businesses that we chose to continue, in many of them, we acquired leadership positions. Genuinely, in 2016, in most products, we were also there, from there in certain products very clearly, in many products in fact, we are in the top 3. More important than just rank. We believe that we have the capability, the capacity to move markets, to actually lead how the market thinks, how the market behaves, how competition thinks. We have a proud seat at the planning tables of most of the OEMs as we work.

One more thing which worked tremendously well was what we did in digital and data analytics, in fact, funnily that was actually not a part of the initial presentation in 2016, but as developments in that area happened, very clearly we took industry leading stances in that, not necessarily I will say number one, because very clearly there is a player who has done much better than us, but yes, what that player has done in urban, we actually did that in rural area, may it be customer identification, may it be simple things like credit assessment and use this for credit assessment, that of course we did, but also did things like throughout the P&L, i.e. efficiencies, collection analytics, how to predict the industry, wherever the industry is going, the industries we are in, are by nature cyclical, but how to maximise, within that our performance by concentrating on areas, dealers which our analytics shows can do well. Many things like this we did very well. Liability franchise, may be other than the first couple of months of COVID 1.0, we have continuously been very comfortable in our liabilities and developed now a fairly superior franchise in liabilities.

Having said that couple of things certainly didn't go well, now, yes, we can blame COVID, we can blame various industries, we can blame whatever, but it doesn't change the fact that we had certain losses in part of our corporate book and part of our real estate. Maybe we can believe that the market punished us much more than what those losses deserved, but that doesn't change the fact that many of you who had put faith in us, invested in the shares or recommended their shares, it didn't work well.

Let me start actually on behalf of the Company, behalf of the entire management, apologizing for those things that happened. Those assets with the kind of execution, the kind of industry knowledge that we have we could have managed better. Having said that, obviously the question will be that look, you told this strategy, but these are the few things which went wrong, so why should we believe what you are going to talk today? There, my only request will be, give us a patient listening today, we will talk primarily about what my team has been doing for the last 6 years, what are the strengths we have developed and how in the next 4 to 5 years, we are going to use these strengths and accelerate tremendously as we go ahead. At the same time and perhaps more importantly, we will talk that how are we strategizing to make sure that these specific areas which went wrong, how are we making sure that those areas don't get repeated.

Yes, definitely few things went wrong, we have been very good in recovering, for example, I would say IL&FS, L&T Finance has been at the forefront of resolving, but taking a few steps back, even though the business of lending is about some credit mistakes happening, how were we strategizing to make sure that such accidents don't happen again and not only us, management, market, but more importantly all of you can put your qualitative trust in us, no doubt, but more importantly your models become much more predictable than perhaps for the last couple of years we have been able to give you. So, that is what I would like to present to you for the next 1-1.5 hours and then of course in your question and answers, you can ask me and my team any doubts that you would have about the strategy. We will try and satisfy you and then I can only say that every quarter's performance after that we will make sure that your faith in us only grows every quarter.

With that introduction, let us talk about what we are about to unveil in front of you. Many of you or your colleagues who follow the Larsen & Toubro Group know that we have various 5-year plan called Lakshya. This plan is vis-à-vis the financial services, what is the Lakshya for 2026.

FY22 recap:

Before getting there, let me just quickly recap just couple of slides, I will not bore you, I realize that this presentation was put up on Friday, but just for connecting what we have achieved in Q4 or what we have achieved in FY22, connecting it with the next 4 to 5 years is what we are planning. So, you remember in FY16, our retail share was less than 25% and we said that in our right businesses and right structure part, we will increase retailisation. First, our target was 50% and then we said at least to two thirds we will go. Whenever I was talking, I would say my ambition is two thirds, I am glad to say that we actually ended March 22 despite COVID, despite everything at 51%.

The important thing is in retail this year, FY22, we could disburse close to Rs 25,000 Cr which is our highest ever disbursements. The quarter itself, we could disburse little more than Rs 8,000 Cr which is our highest ever disbursements. In some of our businesses, micro loans, we did close to Rs 4,000 Cr this quarter which is again our highest ever disbursement. Two wheelers and Farm, we have not only maintained our market share, but maintained our disbursements at very good level in a market which was falling. Home loans,

after losing ground, we are again gathering speed and we have disbursed close to Rs 800 Cr this quarter. We understand that it is very small, but we believe we have found the formula, we have found the mojo and from here it will be only growth. And last but not the least our Consumer Loans, which is a 'Digital Native' product and very important for many reasons, we did close to Rs 800 Cr this quarter. This is the product which we started just about 2 years back and this has gone close to Rs 800 Cr.

Now, why are these numbers very important? When we talk about retail growth over the next 5 years, it is very important what each of these numbers signify.

One, ~Rs 25,000 Cr disbursement overall retail, good number, we have shown the ability to grow, to grow in bad markets and hence the confidence that we will grow further.

Second, let us say, cyclical markets like two wheelers and tractors, specific methods and which we believe will continue and continue well, specific methods to maintain our disbursements when the market is majorly down. Because over the next 5 years, cycles are going to come and I would like to display this proven ability now, of fighting cycles.

Micro loans at Rs 4,000 Cr this quarter, what does that signify? Ability to come quickly out of big problems. I remember first quarter of FY21, we disbursed Rs 7 Cr; first quarter of FY22 we disbursed Rs 100 Cr, Rs 200 Cr something like that, very low number and we have shown the ability to quickly recover to this.

Home loans, I told you it shows that we are getting the formula right there and growing. And last but not the least, Consumer Loans, it shows two capabilities, one, our Consumer Loans almost entirely is cross sell. We have done very good cross sell, but one thing that we lacked was cross selling more loans. And it shows that we have been able to do that. And second, our ability of Digital Native - from identification of customers to disbursement, no manual intervention. So, these are all the capabilities that that one small line of retail at all time high disbursements of Rs 25,000 Cr show.

NIMs, NIMs are 7.84% for the year, 8.17% for quarter. I remember those times that I was guiding you around 6.5% to 7%. Now, this has not happened only because treasury has done fantastically well, that there is no doubt, but interest rates will keep going up and down. Importantly, what it shows is the advantage of retailisation and it shows our pricing power and that is why we are quite sure of maintaining and perhaps eventually growing the NIMs that we have.

I talked about weighted average cost, 7.34% actually for Q4. Lots of people ask me with interest rate going up, what will happen. One, out of business confidence that we have a pricing power, second, out of just mathematics, arithmetic that as the balance sheet becomes more and more retail, the duration of the balance sheet will keep coming down and hence duration versus overall rates going up, we should have a quite good cost of funds.

And last but not the least the asset quality. Overall, asset quality has been maintained well. And in fact, I must perhaps once more say sorry to many of the analysts here, that many of you were expecting us to release some of the large overlays that we were having. So, we have close to Rs 1,700 Cr of overlays. We took the call and I must admit, there was no great scientific reason on that call, it is just showing cautiousness, caution that with COVID cases going up again, we do hope certainly that this will be like the Q3. COVID never really hurt us, other than our health, our people's health. What hurts business is lockdowns. COVID doesn't hurt business. Government actions like lockdowns hurts business. So, as long as COVID is not serious enough for a lockdown, and then people give me immediately examples out of China where large part of economy is lockdown, etc., so it is better to watch how quarter 1 and quarter 2 go. What last two years have definitely taught us is humility, humility to understand that neither we are God nor do we have a crystal ball to see how exactly things will go, so it is better to err on the side of caution. So, forget releasing, we actually created some more what we call macro potential provisions. But obviously as we said in our presentation, we will look at it for couple of quarters and then start releasing. I have looked at some other results call, commentaries of other peers and I believe some of the more conservative peers are also taking the same stand as we go ahead. So, it is a cautious call, let me put it this way, but it also bodes well for the years to come or quarters to come.

Transformation Journey

So, this is the slide which shows our journey.

Up to FY16, you know this, you know what happened in LTFS 2.0 also. Very clearly today, we can claim that we have the Right to Win in certain products. It doesn't mean market leadership. Market leadership, it can go on for some time, you see in tractors, we and our nearest competitor are very close and month on month No.1 can keep changing. That is not important. What is important is are you just price takers, are you just takers of practices in the market or do you make practices in the market and very clearly, I can genuinely from the bottom of my heart say that over the last 2 to 2-1/2 years, we have been making practices in the market. And that is crucial, that we have been able to do across products, and very capable of continuing that. Proud of the liability strength that we have created and last but not the least digital and data analytics and we will be talking much more about that as we go ahead.

Now, what is Lakshya 2026:

In summary, it is very clearly a complete shift or may be not a complete shift, a journey from a product focus to customer focus. In fact, establishing a Fintech@Scale. I will try and explain both these numbers.

We have been very product focused by design, that we wanted to be the bloody best in the products that we are doing. So, if any of you have borrowed from LTFS for any reason, I wonder, I don't think your profile is at this point of time Rural and you would have borrowed from LTFS, but if you would have borrowed from LTFS and I hope given your profile, you have registered an e-mandate, which we do for everyone and given your profile, every month, quietly your amount gets debited (EMI), we get money, chances are that after selling you that loan, after selling you insurance in the beginning, L&T Finance will never contact you. It sounds funny, right? My best customers, I would have never contacted, but that is changing and changing intelligently. It is not like good customers we want to just call and keep troubling. We will never have call centers who will call without analytics. Analytics is always correct up to P95, so there will always be anecdotes where this has gone wrong, but largely we will make sure that now we will concentrate on the customer and make sure that the customer we sell more and more. The target my team has is a good customer, never should get an NOC from us, in a way that you should always have and we will know, it is not the question of overborrowing, overleveraging, that is silly because analytics will show very clearly whether it is overleveraging or not, but very clearly if the customer is going from us to someone else, we should not allow. We should be able to predict his needs, call him up and give that loan. That is the push.

And secondly, a Fintech@Scale. Everything that we will do, we are not looking at replacing our strengths physically, but extend those strengths digitally, giving choice to the customer to approach us and get fully serviced digitally. Why we are calling it a Fintech@Scale? One of my peers whom I very much respect, very famously said the following sentence, it is not mine, so I should give due credit without taking the name, but many of you will recognize it, said "I have seen many Fintechs with $1 billion valuation, I have not seen a single one with $1 billion balance sheet". So, that is what he said and I believe that his Company is definitely a Fintech, which is at a huge scale. We definitely plan to become one, not copying but taking inspiration from what this brilliant peer has done and finding our own way, perhaps unique way of becoming a Fintech@Scale.

Lakshya 2026 Goals

You have seen this slide in the Q3 presentation. Before we get into how, this is our habit we would like to put that. This is what we intend to achieve by 2026:

- **Retail at 80%** of the balance sheet and it says greater than 80%, minimum 80%
- **Retail CAGR of 25%** and we are talking CAGR, hopefully we will achieve it every year, but yes, as I said one year COVID and this and that may be there, we will make sure that 25% CAGR is achieved
- Achieve this at an excellent **asset quality**, try and keep our **NS3 at less than 1%** always and
- Get back to **ROAs of close to 3%**.

So, these are the targets we are putting for ourselves and I will now go into saying how, but once again before that, before we put a plan, I would like to show a few slides on what we have done over the last 5 years. Two reasons, one, to keep convincing ourselves and making sure, getting the confidence that we are not talking something out of the hat. We have done, we have done some of these strengths before. Second is to make sure that what are the strengths that we have built which can be useful, which can be leveraged upon going forward. And that is why we will first talk about LTFS 2.0 performance recap.

LTFS 2.0 - In perspective

You remember, many of you may remember these three parts - Right Businesses, Right Structure, Right People. I would like to talk about this, especially the third part and which is perhaps yes, digital analytics, yes, but after that also you need people to deliver.

So, Right Businesses. We rationalized our businesses across products. We have got leadership positions. So, we have very clear way of saying this is how we will choose businesses. Yes, over the way also we exited certain businesses and many of the businesses that we have stayed, now we have leadership positions.

Right structure. Now this is interesting. 2016, we promised that we had so many subsidiaries, actually 16, we had 7 subsidiaries and we will merge. We started merging, we had two stages of merger. There is one more still, but hopefully if all goes well, we will have one Company over the next couple of years.

One thing we have realized over the last 5 years is that it is not that easy when, even the mega merger announced some time back, it was said that it may take 18 months. Because we all realize in the industry that within the regulations it is not just up to the management or shareholders that we will merge. It is easier said than done. There is some regulation somewhere which will cause a difficulty, but in spite of that we have done it and gone ahead.

Retailisation, I talked about already.

The last one is what I am most proud of. There are lot of you who have asked me your expenses have been going up. Oh certainly, expenses have gone up. We believe that going up and in control are two very different things. Yes, they have gone up, but we believe they are in control. Over the last two years, we have spent more, very clearly on collection costs, making sure that the portfolio remains good. Expenses can be got down, but portfolio once it is spoiled it is very difficult and hence, we have put more investments in collection costs, of course more investments in IT etc.,

But the good part of the expenses is the first, so now what is tooth to tail ratio? It is people on the field vis-à-vis people in the head office. This is the change. From 12:1, it has changed to 36:1. Very funnily, we used to occupy two buildings in Kalina 5 years back; today, we occupy one after this growth in balance sheet and 5 years back we had 10,000 people, today we have 25,000 people which actually shows that almost the entire increase has happened in the fields and that we believe is very crucial.

Executive leadership. Many of us here are people who have grown in our roles, grown from senior levels to executive level, from middle level to senior levels. In fact, close to 70% of the leadership team which is the top 70-80 people of the Company are people who have progressed internally and we believe that is why this last column tremendously prepares us for the next 5 years journey.

LTFS 2.0 - Delivery

I will not repeat this, I will quickly go ahead, just leave the slide there for a couple of seconds, I have talked about this because there are numbers now to show that.

LTFS 2.0 - Strong Retailisation (1/2)

Yes, I admit that over the last 4 years, the total balance sheet has actually degrown, but the quality of the balance sheet is very different.

Retail has continuously grown and we have shown that we can show a very consistent growth in our Retail.

Wholesale, we have maintained a very capital light model. We have disbursed a lot in wholesale, but maintained a capital light model and

Defocused, the business that we said was defocused, we have now reduced to almost negligible levels. There was a question when we called it defocused 3-4 years back that will there be losses, how we will be able to reduce, we have actually reduced it now to negligible levels. If we actually look at the details, I am talking about greater than 25% CAGR over the last 6 years, my retail book has already grown by 20% CAGR and if you take rural which has been our strength, it has grown by 25% already and I am putting forward certain things that we are going to do additionally, but this has grown. Wholesale and defocused I have talked about. Our mutual fund, also we have been able to grow 3 times and as you know, we are looking at, monetizing it and we believe now that with these proven abilities, we are now ready for the next phase of growth.

LTFS 2.0 - Leadership positions across businesses

I talked about leadership positions across businesses, now many of these things I have spoken about, this is the first time those numbers are there on the screen. It is a good opportunity that we are meeting personally; it is good to see these numbers. So, today, we are having a customer database of 2 crores plus, this is a deep customer data base, very deep which can now be used. A geographical presence of 21 states and one union territory and you will see these touch points 13,000 plus. Now, what does it mean? We have actually stopped counting the branches we had because branches plus meeting centers, certainly we have more than 1500, but that is different. What it actually means is each one of my field staff now is a branch by himself or herself. The field staff with his or her hand-held can close business can close collections, and close meaning not just collect and issue a receipt, close meaning the entire reconciliation, accounts reconciliation, everything is done, finished. What remains, only if the cash is collected, going and depositing in the bank and bank reconciliation to happen and that has to happen by the end of the day. We make sure that our field collection reconciliation is 0 by the end of the day, every day. That is genuinely what we mean by 13,000 touch points.

Business, yes, definitely we can do, it is quite fashionable also to say everybody can close business. It is difficult, but yes, we have achieved that, but much more difficult is the collection and today, we are proud that each of these 13,000 people whomever we say that you have to do collection, not all 13,000 do collections, but they can close on their hand held completely including issue of receipts. What goes out of the window is printed receipt books, frauds vis-à-vis receipt book, receipt book reconciliation. All this doesn’t exist anymore.

Market positions across three products, you will see how the book has grown. The important part of these numbers is disbursement, book growth ratio is arithmetic, that if the disbursement is down for a year or so, then after that the book growth is limited for some time. We believe that we have crossed that Rubicon. After disbursements being down last year and also Q1, we have shown continuously good and growing disbursements in the last 3 quarters and now the speed of addition to the book is going to be quite fast. More importantly, the bottom 2 graphs even today, we have 4.1 products sold to every customer and this is important. The opportunity is that most of this 4.1 other than the main loan are insurance products which gets us great fees, but we believe that once we start cross selling loans to this customer, we can get much more income and as many as 15 cross sell products we have, insurance products, and many of them we have actually co-created. We are clearly one of the largest insurance distributors in the country today. Many of these products are co-created products along with our insurance partners.

LTFS 2.0 - Cutting edge liability franchise

Liabilities, many achievements - AAA, diversification from bank borrowings to others, the opportunity given by government for the last one year to raise priority sector loans and we have matched those opportunities. We had done our first green bond 5 years back. Now, we have done our first ESG related loan, sustainability related loan and we believe the lender has told us that this is the first in the country and we believe that this is the first of many for us. It is a loan which is ESG related and of course, the price is nice and there are further incentives if you achieve certain ESG targets and as this percentage keeps increasing on the balance sheet, we will show that good ESG is not only good for the planet, it is also good for the balance sheet and we will continue to work on that as we go ahead. And obviously achieved our lowest ever weighted average cost in FY22 and in Q4.

LTFS 2.0 - Strong & well provided balance sheet

Asset Quality, Up to FY18, you will see there were various changes in rules, FY17, 120 DPD became 90, then Ind AS happened, etc. After that there is a consistent reduction in asset quality as we have gone ahead and more importantly for the last 2 years, there is an additional provision outlay that I talked about and now it has reached close to more than Rs 1,700 Cr as we go ahead.

LTFS 2.0 - Transformational Digital & Data Analytics (1/2)

This is a very important part of the journey that I would like to talk about, more importantly because this was completely conspicuous by its absence in FY16 when we made a presentation. Because that time this science was very primitive. But using this, what all we have done. So, we are never the cheapest in the market. So, what is it that gives us this advantage? Why do we get this kind of market share? There are lot of people asking that how do you compete with banks and not only us, there are so many NBFCs who are competing with banks and not on quality. Gone are the days where NBFCs used to operate in this nether worlds of credit, which banks are not doing, we are doing; those times are gone. In fact, if I can talk very confidently about our peers, most markets that you think - tractors, two wheelers, gold loans (we are not there), housing loans, consumer loans, I would bet that the name of first recall is an NBFC, not necessarily the leader all the time, but the name of first pick. Now, you think in your mind and you will see, what has happened, how has that happened?

Very simple, customer gives you business, what is good business is the customer finding the reason to leave profit on the table for you. This is my own definition and in that everything is there. Why would the customer leave profit on the table for you? for many products it is speed. Other products it is transparency. Other products, it is just customer service and enveloping all these is the intelligent way of doing business. So, I will give some of these examples.

Speeds are on your left-hand side, many of you have visited our channels, some of them arranged meetings, some of them surprise visits. Now these are P90-P95 speeds, so there will be some we will be doing better than this, some we will be doing worse than these, so let us not talk about the ends, 95% of our cases are done within this time and you will see that are definitely some of the fastest ones.

The second one is very important. We all talk about the third one which is underwriting analytics, that how do we underwrite. Lot of analytics, lot of digital is used there, we also hopefully do that quite well. The second one is very important. I will give one example here and maybe I am giving out competitive secrets, but in these times, there are no secrets, people come, people go, so you better be ready to share everything and still be better at it because staff comes, goes, etc. So, I will give you the example. I remember this and I was talking to one of my peer friends, just 5 years back how we used to predict tractor market, I don't know how many of you have watched the movie called Swades, most of you. So, Shahrukh Khan is doing global precipitation satellite, and one guy looks like there is no cloud and there is going to be no rain for 3-4 days. Largely that is how we used to predict whether tractor will grow or not. And the funny thing is our budgets used to be made in February, March, and by that time how will it rain, nobody even knows, that is another matter, but largely the talk was if the monsoon is good, tractors will grow. If the monsoon is not good tractors will not grow and that is true, but then what? Do we all keep praying to the rain Gods? That is not the way of doing business, right? So that is how we developed this algorithm, that we will go actually in predicting demand of a particular model of a particular make in a particular area, in a particular pin code and this is possible through all those data which we have put here. More importantly that data is available, most of it publicly, some of it can be collected, a lot of it through credit bureaus. The point of it is using it intelligently today on a quarterly basis, I can not only give targets to my branches, but I can actually give them operating instructions. This dealership you will take so much counter share, for that you will get these many resources. Budget for tractors or for any product is not top down any more. We can actually predict business at pin code level and the budget is actually bottoms up build up like this. Bottoms up budget always have a danger that everybody will understate their numbers, but we don't take the numbers from them anyway. The numbers are drawn by analytics that how much business is possible. Product schemes, LTVs don't come any more out of what the team feels. It comes out of factors like payment record for that model, second hand price for that model. This can actually be modeled now and can be put and the whole idea is it is dynamic. Every quarter we can change it. There are products where every month we can change it. Why I am talking so much, if any one of you feels that please tell strategy quickly and why are you talking of FY22, the whole idea is here, I should be knowing what I am capable of before talking about it. So, it is important to at least showcase what we have done to get credibility on what we are saying about the future.

LTFS 2.0 - Transformational Digital & Data Analytics (2/2)

So, here we talked about previous slide. So, when digital and data analytics is used, mostly people talk about credit. And credit or underwriting is just one part of the five things that we have used it for. So, these are the three, and Collection and Retention. Here it has been used really well. I will again give you an example out of tractors that there was a time where certain tractor accounts, accounts per collector (APC) and we used to say if one person can collect from 100 tractors, then for 1000 tractors give 10 people. Now you imagine the problems used to happen, for those 10 people I had to put one supervisor, I have to train that supervisor. I have to make sure that all supervisors across these 100 people in the country behave the same and moment I train that a competitor will poach that person, so whole journey starts again.

Today, actually we are at a place and I will demonstrate some of them to you, where we can actually do a propensity to pay index, on say low risk- their mandate will get collected, will clear. I don't have to allocate this to anybody. I don't have to pay incentive for this to anybody. Some medium risk - where call center has to call and remind and they will pay and some hard - where I have to allocate and may be some completely chronic where I have to just not waste time, just repossess.

Imagine in Micro Loans how much change it makes. Yes, 99.6% of the customers will follow the cycle. The 0.4% there will be different ways to collect. We have to approach them at the right time, you have to approach when money is available and all this now analytics can show - on us, off us analysis, when are they paying others. At that time, our people can be there. So, lot of things can be changed and there are collection efficiency statistics which I have put at the bottom of the slide which you can actually make. So, I am not going to talk about each one of them, I am talking many more things perhaps which are not on the slide. Slide is in front of you and presentations will be with you.

The important thing is retention analytics and this is now very important for the future, once we spend on getting a customer, let us not keep doing it again and again and that is crucial, not only to reduce expenses, but to one grow business, not letting competition come in. And most important, our analytics shows naturally that the customer where we are giving repeat loans, that portfolio is far superior to the overall portfolio. Naturally because you give repeat loans only to customers who are good. And across products, so Vishwas and Pragati, Kisan Suvidha these are mostly giving loans to existing customers, cross-selling, up-selling to existing customers. Consumer loan is actually a new product altogether by cross selling to our customers of other products, Two wheelers or Home Loans and you actually see the kind of growth that is happening. Good growth has happened, but great can happen in the future as we go ahead.

So, I will now stop there and come now to the important part of why we have called all of you. I will just take a sip of water.

LTFS - Lakshya 2026 - Aim. Innovate. Create

So, Lakshya 2026 is all about **Aim, Innovate and Create.**

Aim, for setting up the ambitions, setting up the aims; **Innovate**, because almost everything that we are doing is one depending on the strengths we have built, no doubt, but innovating to maintain or increase that growth rate and then of course create that future that hopefully all of us will be proud about it. And the goal is to be a **top class 'digitally enabled' retail finance Company moving forward from a very strong 'product focused' to a 'customer focused' approach**.

We will talk about each of these words and hopefully not only show you what we are going to do, but also give you the confidence that we have the ability to do that.

Lakshya 2026 Goals

Repeat slide, just to remind you of what we are about to do.

Path to becoming a top class digitally enabled retail finance company

Now this we are going to achieve by concentrating on 4 factors.

First, very important, where are we going to get this **sustained profit and growth**.

Sustained is important, Profit is important, Growth is important, all three are important. For us, right now, I always believe that any NBFC or any bank has to consider 4 or 5 objectives. The first is liquidity which always comes first. Second is solvency. Third is asset quality, fourth is profitability, fifth is growth. We are not changing that. This order is very important, but this now we are quietly confidently doing, we have done the 1st 3 and we have it there. Now, maintaining the profitability and getting into a growth mode is very important. You have had mainly two complaints about us. One, that some wholesale accidents here and there, second growth is coming from where? Let me answer the second one first and then come to the first one.

The second important factor, as we grow like this, we have to recognize and be aware that the kind of risks are going to change completely. What has helped us till now is not going to help us. Credit risk, yes very important, but operational risk, technology risks, these risks are going to become way more important perhaps than just credit risks.

Then, what are we doing in digital and analytics? How are we creating a Fintech@Scale?

And last but not the least, how do we make this growth sustainable through ESG?

So, these are the four things that I will talk about and this is our path to becoming a top class digitally enabled retail finance Company.

Sustained profit and growth engine, Growth Vectors

Now I will talk about the first. Now this is very important to understand. I said that we have already achieved a 20% growth in Retail and a 25% growth in Rural over the last 6 years. Now, this entire growth has been achieved using 1 or 1.5 vectors of growth.

First vector - Product Excellence**.** We have been very good there, no doubt.

The second vector which we have just used over the last 2 years is cross sell and up sell to existing customers. We are very new there, good beginnings, but we are still new there.

We believe now the formula for growth is unleashing 5 vectors of growth.

Continuing on our vector which is product excellence, but unleash the other four vectors also. I will talk about it. So, this is important, we are not talking just one vector of growth, we are talking about 5. What do I mean by this?

Growth Vectors (1/6), Continued Product excellence – making clear choices

So first, **Product Excellence**.

We are very good in Farm, we are very good in Two Wheelers, we are very good in Micro Loans. Clearly, we have to grow there and I will talk a little bit more about this. Retail Housing, we have regained our mojo. Consumer loans and SME, we are very new. All this, we will grow in the vector of product excellence. We are also launching new products. Having established the strengths in each of this area, new products in the same areas.

So, Rural business ecosystem. We are in small rural businesses through our Micro Loans. Now, use that ecosystem to address the entire Rural Business Ecosystem.

The Farmer ecosystem. Today, farmers have been only tractor or little bit more like farm equipment to the farmer, can we do much more for the farmer?

Urban Consumption Ecosystem. We have small presence here, through our Consumer Loans, Two Wheelers, Home Loans, we can use that, and last but not the least

SME ecosystem.

So many more products being launched in these ecosystems. Right now, we are blessed with a ~25% capital adequacy. It is going to go up hopefully in Q3 once we close our Mutual Fund transaction. So, more capital will come and the capital adequacy will go up and hence we are very clearly looking at acquiring portfolios in addition to all these vectors that we are doing. It is definitely not the main way of growth.

As you know we are very price conscious. Good portfolios, structured well, at good price, we will look at. You will see I am not talking about acquiring businesses because at this point of time, I believe multiples of businesses are crazy, but yes, we will be open if we get a good price. We never buy anything costly.

There are other businesses that we will like to talk about and have a little bit more detailed slide forward.

Infra. This is the platform which we have built with great care. 5 years back I said that I said that look, we have to reduce the proportion of Infra, we have to have a model which is profitable and I am proud of my Infra team that they established what we call 'book to sell' model. We underwrote and we sold down.

Over the last 6 years, we have disbursed close to Rs 75,000 Cr of loans and the book has grown by less than Rs 10,000 Cr. That much we have been able to sell down. We believe that this platform which has been established especially in the renewable and road sector and today, one can continue to operate in the capital light model, but we can surely explore getting a partner here because very clearly the Company's goal is Retailisation. But this business is excellent, the team is excellent, the platform is excellent, in fact one of the kinds and we believe that we can get value out of this.

We also believe from our initial interactions that as we are still exploring, but initial indications are that this may be a part sale, people will like us to continue and we are okay with it. The idea is not to exit from that business. We do very good in that business. The idea is simple, one, capital will more go to Retail, not to Infra. And Infra has great potential for growth. So, how do you manage both this? Is by getting capital from outside into the platform and clearly this is going to be our endeavor over the next 24 months, as how to grow this business at the same time limit capital allocation to this business.

Mutual Fund. As you all know, the call was taken on the Mutual Fund. We are doing Retailization. You will ask, Mutual Fund is such a Retail business, why did you exit? The reason is very clear. Every business we will like to be in the top 5. We like to make rules in the business. Our Mutual Fund business while it was excellent, we managed it well, it has 55% equity, we were not making rules in that business. The rules were made by the top 3 or 4. Many times those rules were good, many times bad. Whatever, we were just followers of those rules. We don't like businesses like that. Being followers is not a good thing, we don't like.

Again, it is good for that business and that platform that the person who can bring way more capital and grow it. Another thing we thought that if we have to really become big, we have to invest much more in that business which perhaps the capital we believe is better used in growing Retail Finance and hence we found a partner which will bring capital and more importantly value the team that we have built. We could have sold it to a large player and perhaps the team wouldn't have been valued. Now, our team is extremely valued there and that is the way we are monetizing.

Real Estate. You all know that last 2 years, we have not done any new underwriting. There are people who are asking me that real estate is doing good now. Yes, that is true, but very clearly, the dependence of this sector now on so many things including permissions, various permissions, progress of projects, it is becoming more and more difficult to be predictable and with that we have decided to one, complete our existing projects. We are certainly not in a hurry to run down; we have been doing that over the last one year. We have actually reduced and collected portfolio of close to Rs 3,200 Cr. We are confident of, leave out the order Supertech, but we are confident of doing those collections and at the same time, exploring various inorganic options, inorganic structures of accelerating this reduction.

We believe here that the past capabilities we have shown of reducing some portfolios without a big damage to P&L will help us. It is not defocused; we are not calling this defocused.

We are making sure that each of the projects will be complete. We will make sure they are complete. We have shown, as always show how much disbursements they do there every quarter, each rupee of that is for completing projects. We have a large list, almost 10 projects or so that we have actually completed this year and exited and we are sure that we will continue with that.

I believe this slide itself clears a lot of air on various questions that have been about these two businesses. There is a lot of talk about us exiting wholesale. Very clearly, there is a differentiation between what we are doing for Infra and what we are doing for Real Estate.

Infra, very clear, we are looking at value. If we don't get the value we have in mind, we will continue with the capital light model and this I will like to make a clear unequivocal statement. We are looking for value there. Whereas Real Estate, yes, we can, one we are completing projects and reducing and we will also look for certain inorganic structures to reduce.

Growth Vectors (2/6), Continued Product excellence – building leadership across products

Coming back, on the Product Excellence Vector:

The first vector, three of the products where we have leadership position, when I say leadership, it need not mean number one, let us say in the top 5, I already defined it, Maintain them and Build much stronger Right to Win in the Retail Housing, Consumer Loans and SME. This is very clearly on existing.

What has actually helped us build leadership is very strong OEM relationships, more importantly data analytics framework, best in class service, very premier customer relationship and a stable team that has helped us. We will continue to work on this to make sure that these products go from strength to strength.

Growth Vectors (3/6), Cross-sell and Up-sell

But here comes the first of the other 5 vectors where we will grow. Now, this is important to understand. Like this side is Rural, this side is Urban. The pyramid shows low income, middle income, high income. The colors, I am color blind by the way, I must tell you, but there are two different colors, the one on top is what our existing products, below is the new products that we are doing.

And Rural we are very good. This is how we are going to address all the income levels in the Rural India. At the low income, we have put a Micro Loans and Pragati, we are launching individual loans there, we are launching Micro Loan against property there. In middle income, largely today, we have Farm loans and Farm top-up loans. We are looking at again going there, middle income also micro LAP. Agri input loans and then in high income, we are launching our Warehouse Receipt Financing product.

The interesting thing is on the right-hand side, Urban. In low and middle income, we have our Two Wheeler and Consumer Loans and in mid income, Consumer Loans, Home Loans, SME, LAP. We are looking now at launching CL partnerships with various players and top-up products.

At the bottom is, how are we going to do this? It is a large extent through monetization of the data that we have and monetization doesn't mean selling, monetization means realizing the value of it, unlocking the value. So, how will we unlock value is up-sell from Micro Loans to Individual loans, Micro Loans to Pragati. Pragati is a product where we believe, we know that there is no other lender there and hence we can genuinely go and capture the customer fully. Farm top-up, cross sell from Farm Loans to Warehouse Financing, Micro Loans cross-sell, Farm loan cross-sell. On up-sell side from CL to CL top-up, Two Wheeler to Consumer Loans and many more combinations have put here.

What is the important thing here is, knowing the customer well, predicting the need of the customer and being there before anyone else. We are sure that we have the ability now, we have the analytics and most definitely, we have the tools and I will demonstrate some of those tools as we are going here, very clearly a move from product focus to customer focus.

Growth Vectors (4/6), Geo-expansion

Now here, Geo-Expansion:

We are today primarily a Rural focused Company. So much so the Two Wheeler, which is a very urban product, we call that also Rural. Of course, we do a lot of Rural, but that much we had Rural focus. We are now making sure that we make an entry and grow in Urban India as well. First, we are having a very clear organization to do that. We have set up a very separate vertical under a separate chief executive to get into Urban. Second, very clearly the question will be, okay, Rural you are strong, in Urban what makes you believe that you will not get a bloody nose? There are people who are very strong in Urban. You have protected your Rural. So that is why we have actually put forth the strategy which is in front of me, that what makes us sure that the strengths we have built in Rural, we can now juxtapose them or take them forward to Urban.

Very clear, income in Rural is more cyclical than Urban. We believe we have credit models already created for cyclical business. For noncyclical, it will be much better, much easier. The availability of data is better and we can do credit very well.

Repayment Mode - We are very good in collecting cash. Urban, one it is easy because it is more and more amenable to electronics, but also importantly, do we have the capacity? Yes, we have put all the electronic tools of collecting in Rural area and success of that is continuously improving. More importantly, the collection algorithms that we have put, we believe that this can be used very well in Urban itself and believe that we will be able to do Urban collection as well or perhaps even better than the Rural collections.

Competitive Intensity. Yes, we realize that Urban the competitive intensity is quite high, but market size is also high and as I said an established and dedicated vertical there. And also believe that the capabilities we have in rural can be extended. I have talked of some of them.

End use. This is very important, we are not looking at getting into BNPL, getting into credit cards yet, we may form those opinions as we go ahead, but clearly our expertise is in income generation. In urban, we will be income generation and in responsible consumption. What is responsible consumption? Is when you are actually buying your goods, you are buying house or you are buying an education course or you are going to hospital for an elective surgery, these are the first products that we are launching and like that we will work on more and more partnerships. So, some of these products are on soft launch stage, some of them are pilot stage, but as quarters go, you will see a few more products coming.

And last but not the least credit penetration. I can say with confidence that if you can do good credit in the rural with the information there you can certainly do good credit in urban. We believe that judicious use of all the strengths we have built in rural and more importantly the digital and analytic strength that we have built, we will be able to make more than a mark in urban also. The important thing is that this is in addition to all that we are doing in the rural, so it is only additive.

Growth Vectors (5/6), App & Digital based channel expansion

The fourth Vector is Channels:

Today, we are a very point of presence or point of sales-oriented Company. We are very strong in dealerships. We are very strong in visiting the customer's house and lending there, collecting there. We are now using the strengths that we have built in digital and analytics to make sure that we do geo-agnostic sourcing, use digital and use analytics to deepen the understanding of the customer and open up more and more channels for the customer.

I will demonstrate some of this, but for now, be suffice in saying that we will not be only branch based, we can approach the customer through Chatbot, through WhatsApp, through web, through apps and ultimately through an ecosystem and that is the whole power of channels that we are unleashing.

So, the first power that we are unleashing is Cross-Sell and Up-Sell; second, Geo expansion; third is Channels and the fourth is New Products.

Growth Vectors (6/6), Product expansion keeping customer at core

The first line is clearly the existing products that we have. Many of them we are very good. Rural on this side, Urban on this side. Products which are in pipeline, meaning you will see in first two quarters of this year is rural individual loans; warehouse receipt finance in farmer; consumer loans as I told you, education loans, hospital loans, top-ups and SME old drafts and then future the other products coming.

Now, the important part here is also the organization. We are organized like this now, there are four chief executives reporting to me, doing all these four businesses. So, very clear concentration, four teams working on this, the first one is perhaps what requires a little bit of explanation. There was an RBI circular talking, clarifying about micro loans or microfinance. Lot of interpretations. We believe that the circular is very positive. Of course, it will depend on how the industry behaves, whether it behaves well, not behaves well, etc., but it is very positive. What used to happen that there was a limit of Rs 1,25,000 of income in the rural area. People used to take a declaration from the customer saying the income is less than Rs 1,25,000. We always believed that our customers are not less than Rs 1,25,000, we used to take a declaration saying it is more than 1,25,000 and instead of microfinance, we started calling it micro loans. We didn't use to use it for any priority sector or anything like that. They were not qualified asset.

Now, the rule has changed. Now it is family income, Rs 3 lakhs. Even more important, you have to actually do an estimation of family income. Now, this is where we believe our strengths, first of all the market opens, so below 3 lakhs it is microfinance, we will do proper microfinance, we will start calling it microfinance again, but our initial finding is about 80% of people will be above 3 lakhs, above 80% of our customers will be above 3 lakhs and there the rural business loans area opens up. Now, with that confidence that it is not a declaration, but it is income estimation, credit areas simply open and we believe that big growth can happen here and income estimation is our strength. So, 14th of March, this circular came, on 1st of April, our app for capturing the entire process online was on. Very clearly, the first Company who have digitally enabled this new RBI circular, on 1st April we are on and of course, there will be improvements, there will be changes as we go ahead, but we were on because this circular very clearly played to our strengths which is now you estimate income and you lend accordingly and that is why we are now calling that business line, rural enterprise, rural business finance and it opens up the possibility for so many products.

So, just to summarize:

These factors of growth and where we believe that growth engine, the profitability engine is going to come from is first becoming even more stronger on the products. Second, cross sell and up sell, third geography, fourth channels and fifth new products. We believe that with all this unleashing, I will try and demonstrate some of them today, some of them, every quarter we have to keep something, so some of them you will keep seeing every quarter and I will of course keep showing you how we are growing on each of these vectors. We will keep demonstrating that every quarter as we grow, there are very senior people in the organization charge of this every project. You know this is the strength that we have displayed before, projecting every line on the PPT and making it happen. We have displayed it before, we will display it once again. So, that is it. That is the summary of the first part that we will continue to hold our advantage, continue to strengthen our rural franchise, at the same time establish urban franchise, our autonomous connect, digital channels and strengthen our cross sell. We believe hopefully over the next couple of years, with this, we will be able to further enhance our target of 25% CAGR, but right now, I know that what is promised has to be delivered and hence we are looking at a 25% CAGR and are very confident of achieving that. I have talked about this already on that slide, so I will not repeat it. There is nothing new here than what I have already talked, but once again to underline the difference between these two, because there was an article, let me handle it straight away, there was our Group Chairman's quote that we are exiting entire wholesale business. Please understand the Group Chairman talks, he talks about at his level, whatever we discuss with him, whatever he gets out of it, he talks at his level. It is very general. One thing he said and he said very correctly, if that it is over next two years. So, it is not defocused, it is not panic sale, it is none of that kind. It is the best way of making sure that we have the best combination of products, of businesses and how capital can go more and more to retail. At the same time, growing infra which we believe we have done it very well and slowly collect from the entire real estate portfolio. So, that is the clear explanation and the question and answer session, I will be ready to handle any question out of this other than what state the inorganic projects are, I can't talk about that. What I can talk is we are exploring various options.

Demonstrable strength in risk management

Next, very important risk:

I think I am not going to talk here about what is risk and how do we do credit well, it is all understood, we have demonstrated that already, I am not going to talk about that too much. What is important to talk about is the realization that the type of risks is going to change and we are one, absolutely ready, at the same time, getting more and more ready for addressing those types of needs. An enterprise-wide risk framework, obviously we have a risk appetite statement, we have risk limit framework, dashboards, early warning signals, all these I have been talking about before like today I am talking here, I was talking about all these 4-5 years back and I believe the status of our retail portfolio actually shows that all these have been built already. Now, as we are building, Fintech@Scale, there are capabilities that we will have to not only deepen, but develop. I am glad to tell by the way that in cyber security, we have already got the 27001 certification ISO and we are looking for more stricter and more stringent certifications as we go ahead, but that is still deepening, but more importantly, how to do complete new edge portfolio management, how to prepare for future scenarios, how if another COVID happens or something like that happens, we will be even better prepared. Everything is about sustainability, emerging risks, BCP, very different kinds of risks will come up. Operational risk is a big risk which will come up. We are making lots of investments in this area. Our CRO comes from one of our most respected peers and he is working 100% on this, how to work more and more on this.

New-age portfolio management

I would like to talk a little bit about this new age portfolio management. I remember when I was discussing with one of our consultants 6 years back and when I was discussing early warning signals, they were talking about percentage of NPA to book and how each area, each portfolio we should look at NPA to book and look at early warning signals. That is the first time we challenged them. It is a very well-known firm, but we challenge them how can NPA to book be early warning. That is by that time it is too late, so how is it early warning. Now, that we challenged and we actually moved many of our models to one DPD. Today, as a result of that we have some of the best 0 DPD books across products in the industry. Our collection efficiencies are at numbers which are very clearly best in the industry. Now, I believe the next is even within 0 DPD, how to predict that something is likely to become non-zero, so not even waiting till it becomes 1 DPD, not even waiting for the default, but how to build through analytics that somebody is likely to default for the first time and default I don't mean NPA or GST, I am talking 1 DPD and some of those things we are working on, improving day by day and hopefully once again be ahead of the market in doing this.

Creating Fintech @ Scale

Now perhaps, the most important part, the technology on which all this is riding. Very clearly, the very important part here is not just the retail finance Company. It is not just from product focused to customer focused. The most important part here is digitally enabled, not because it is fashionable, it is that is another matter, but because we believe that none of this is important unless you are ahead of the curve in digital and data analytics, not necessarily again in the fashionable things like Blockchain, Avatars, Web 3.0, we will be there when the time comes. Right now, we are little bit far away from lending to Avatars, we will concentrate on lending to real people first and we will see after that, but yes when the time comes, we will probably be ahead of that, but right now, let us talk what we all understand, is lending to real people, judging their need before anybody else can, judging their capability to repay better than anyone else, reaching them more efficiently than anyone else and then dealing with them in a way that they find right to leave profit on the table for us. This is the entire definition of what we are trying to do with our Fintech@Scale.

So, the three columns on the right-hand side, we have already done a lot and we have to deepen it even more, so ability to identify a customer. We have talked hell of a lot about whatever we have done till now. These are the things we are working even stronger, liveness matching (this is about KYC). Credit is all about, retail credit is very simple, actually all credit is simple, but retail credit is about ability to repay and the identity. These are the two things which are important. So, for identity that you are lending to the right person, there is no fraud, there is liveness matching, I am taking the photo of the real person or I am taking photo of a photo because photo of a real person you can't do a fraud and more things come further. Then using DigiLocker, using fuzzy logic in deduplication, penny credits people already are doing. These were things of biggest fraud. I told you operational risks will be bigger. These were things of biggest fraud, so all these things have happened. We are making it sure that it is impossible to happen, penny credits, fuzzy logics, these are the way to see that there are no frauds or minimize frauds. The next one is my favorite. So, this is deduplication by facial recognition. Some of the things I have seen, my team doing is amazing. So, many people here commented that people have changed over last 5 years, I have changed, I have gained close to 8-9 kilos, all hairs have become white, etc. Now if my photo was taken 50 years back, may be not 50, may be 40 years back, if it was taken 5 years back and now and assume that I have grown beard, I should be able to do deduplication saying it is the same person and there are various ways, distance between eyes, distance between nose and eyes, etc., and I have seen magic happening. I have seen things being deduplicated with a photo taken in tie and suit and the person doing a video interview with us with a beard and all from the Himalaya where he is on a vacation and the software has deduplicated and said it is the same person. Naked eyes, you wouldn't be able to make sure that it is the same person and the software has done that. Now, just imagine, why are we doing all this, it is not because it is fashionable, one, because the scale is going to be crazy. We can't put physical people to check whether it is a same person, we can't, just cannot. Second, it is going to be paperless. That is the whole idea.

Next stage of paperless, it is going to be not assisted, it is going to be unassisted journey and third, it will probably in the rural low income, so it should be that easy that when a person takes a selfie, we should be able to deduplicate. That is what we are growing, we are deepening look alike. Now, look alike is not people look alike, it is credit look alike that large part of our customers will likely to be new to credit. How can we do credit by seeing look alike, that is important. Ability to underwrite application scorecard, preapproved models and moving from preapproved to live, we are I think already good in preapproved, please understand this and on my app, offer is dropped to you, it will be a preapproved offer that I have your data and I drop that offer. You get thrilled, but actually it is very easy because I have your data before and I can process and give a preapproved model and I am not saying in principle preapproved, actual preapproved. More difficult is you logging in and I am not having your data and you are logging in there and me approving it real time. That is much more difficult, doing all the checks, everywhere, real time and approving it. We are getting there, ability to collect, we have talked about all these and we are getting better and better. What we are developing now is ability to predict need and having genuinely hyperpersonalized offer.

Now, all this will become important when our app becomes more popular. App, I always have this question which I ask my team, what is the reason why somebody should download our app? What is the reason why somebody should use our app and most importantly what is the reason why somebody should keep our app. Banking apps, the reason is very simple, you do transactions every day, why would you keep an NBFC app and we have to continuously look at that answer. There are many answers, this is one of them, identifying your need, giving you hyperpersonalized offer, giving you a next best offer that okay you are not with this, you are buying this, okay can I do something better. So, all this now is a part of our data monetization project and data monetization is one of the important pillars of forming a FinTech. Now, just remember again FinTech@Scale, we have something which Fintechs don't (we have scale) and we have something which FinTech have as we have innovation and now, we will grow more and more on that innovation. This is interesting. So, that was as far as data analytics is concerned, this is as far as digital is concerned. I talked about unleashing channels, this is the time that I demonstrate 3 of them, right, so in assisted channels, we are very good in point of purchase, we are very good at our branches. We are quite good at call centers. We have to get better. We will make some pesky calls, the whole idea is pesky call should go to people from whom we have to collect, not to everyone else, but we can get better.

Third party partners and field agents:

Now what is important for field agency. Field agents, all have, so what is it? I am going to demonstrate an app which is used by my micro loans or microfinance field agents which is about capturing details of the customer, which is about income generation or income estimation and more importantly, it is about collections and within collections, even more importantly, it is about customer location. In microfinance, we have close to 15,000 people. At the feet on street, it has tremendous level of attrition. My first problem when a new person joins, is where the customer resides, because address is in the rural, behind Hanuman mandir and if that village has two Hanuman mandir we are finished and back side meaning you don't exactly know where, right, can we exactly locate that customer, even more importantly, can we give our most efficient route map to my person. Basically, can we make sure that my person's life becomes easy, productivity increases through the roof and without involving any paper, we do end to end, so I will just go and sit there and request my colleague to run the video. This is a video, but it is real.

(Audio-Visual Presentation)

Thank you, may be a wee bit long, but I thought it is important that we go through the entire app. The important thing is yes, admittedly 98% of the micro loan customers still pay cash, but we have complete ability to make sure that if they want to pay through UPI, there our person can sent a UPI link through this and the person can pay through UPI completely. We will move now slowly to even unassisted or unprompted payment through e-NACH and all those things, but the change will gradual. That rural lowest income change will be gradual, the whole idea is that are we ready, the answer emphatically is yes, but that is only assisted channels. This is about improving assisted channels. Now, can we get into autonomous channels, like SHO portal Chatbot, we already talked about.

Ecosystems:

Right now, we are all doing our own sourcing, how can we source through ecosystems, I am not necessarily talking about the bank bazaar and loan bazaar kind of ecosystems, but can we have people who are doing their own work, can we get the data from them, can we use that to use to source. What are the different types of ecosystems, e-aggregators which is the e-aggregators which all know about, our partners and third party products, can we use our entire marketing cloud and we can, I am sure, one, having a complete live link with this, so for example, if you are taking admission in say Aakash or somebody like that, while you are filling up your admission form, how can data come to us and we can drop off, to a certain criteria it will be preapproved any way, but beyond that how can we drop the offer, can we drop our next best offer, if that person is not completely qualified, these kind of things moving around and doing it on a completely integrated way, this is what I was talking about that today, I believe we are getting better and better and preapproved offers. We have 2 crores database which is a great database, but it is not 12 crores, like one of our peer has, so we have to get over that. Our database will keep increasing, but how do we get over having a 2 crores database and not 12 crores is by doing this, is by having a marketing cloud where we are completely and constantly linked with our API partners and can drop offers to our customers realtime.

Here comes the next thing, which I would like to demonstrate, so this is where things happen, customer service is as important as selling because customers can get very pissed off with service. Most companies and we for one had till last year, a pyramid where almost 50% to 60% of customers were serviced through branches, 50% till FY21 through branches, that is the first part; second, say around 40% through call center which is more efficient than branches, but most efficient is this last 10% which is autonomous journey. Can the customer service himself or herself that was only web and that service was also not complete. Complete service is what, inquiries, getting statements, transaction history, paying, asking for another loan, this is all complete service. In FY22, we have already inversed this pyramid that now assisted journeys have increased to around 30%, autonomous 38%, next is call center and branches now, very few people operate the branches, already go to branches. Now, this is very important because branches as much as I train, I cannot train people uniformly and that is the focus, right. We keep cribbing about training, we keep cribbing about retaining people, attrition, while it is very important to handle all that for being the best place to work, but you can't base your business models on that. Your business models have to be completely agnostic of all this and this is where our WhatsApp service model which is already live, we would like to demonstrate.

(Audio Visual Presentation)

This was short, capabilities are still being developed, as you see basic capabilities already there, this will grow more and more. Now, these are just examples of what we are trying to do, we are trying to make the customer, even come to us and go with the best offer without a person intervening because over 5 years, we have seen as volumes grow, assuring uniform service through people is impossible like all of you would have seen it, forget branch, if you call a call center and God help you that in between the call drops and next time, you call there is another executive and you have to start all over again explaining your problem. Can we change that totally, the answer is emphatic yes and that is what we are doing and then last but not the least, the mobile app, we have just launched, we are in the soft launch of our mobile app, it is on both Apple App Store as well as Play Store, invite you to download it, to have a look at it, it is a nice app, continuously improving, no doubt, what are we trying to do and this is not the end stage, this is what we will try to do within one year itself that this is one way to be geo-agnostic, it will handle both existing customer and prospect customer. Right now, I think it is absolutely complete for existing customer, prospects we are getting better if it is not the preapproved offer. There will be application score card on the app, it will divide good customers and delinquent by using guardrails, for good customer, we will look at machine learning for propensity to buy and then give based on all these personalized offers. So, it is not that the customer is only saying what he wants. If that is said it is easy, but can the app give personalized offer to the customer, admittedly it is the first step. I will talk about the end state in a few seconds, but first let us see the app.

(Audio Visual Presentation)

Thank you. So, these were the three capabilities that we wanted to demonstrate.

Targeted End State

As you saw the app today, it is complete end to end for consumer loans and it is a servicing platform for all other type of loans, full-service platform. You will also see that considering our rural mandate, it is in all vernacular languages, so it is an app which is I believe in a good state of readiness today and over the next one year, it will become better and better and over the next 3 to 4 years, we will develop into this. This is the end stage where we believe that we will truly answer the question why will somebody not delete the app, why will somebody keep the app that now that we are in so many ecosystems, how can we help the customer in the ecosystem. Try to remain as close to our core as possible, but yes, if at some point of time we have to book airline tickets, we may, we will see, we will go there, that we don't know, but right now important thing, let us take a farmer, a farmer ecosystem means that if that farmer is growing a particular pulse or a particular grain, identifying which are the mandis in the area that mandi price, transportation cost to that mandi and putting the suggestion as to which mandi he should transport it. Once the farm laws are clarified and cleared, maybe we can tie up with the mandi intermediaries and actually the farmer can maybe buy and sell on our app. So, the end state today is genuinely, sky is the limit. It will depend on how the law of the land develops, all the tools are there and we can do more and more. The whole idea is engaging the customer completely and then using every data which we get and every area that we get to lend more to a good customer. So, all this is towards what, identify good customers, identify the need of the good customer and lend more and more and more to him while keeping him or her good customer, not lend so much he become a bad customer. This is important. Identify customers who are likely to go bad because of some pressure coming from here and there and take collection actions early and then identify customers who are already bad and take collection actions. So, this is the sum total of retail finance, of retail finance growth, of retail finance good operations. We have been doing many of these, can we add complete digital and data analytics to make sure, we believe yes and we believe that is what will make us truly a Fintech@Scale.

Sustainable future growth through ESG

Now, coming to last part, last but certainly not least, as we start on our journey and you can calculate like a 25% CAGR minimum of retail will take our retail book to more than 1,25,000 crores in 4 years will go there plus the acquiring and things like that. How we are making all these sustainable and as I said, certainly good for the planet which is very important to us, but we truly believe that it makes great business sense also and that is what makes it sustainable within the Company also that how we keep building on this. So, this is just a small synopsis of how we have moved in the last 3 to 4 years on ESG starting with the simple gap assessment in 18-19, to 19-20 publishing our first sustainability report, to 20-21 adopting targets for the first time, so we have adopted a target of becoming completely water neutral in FY22 itself and carbon neutral by FY35, to now, actually making progress on that, setting up a board committee for ESG, clearly introducing materiality assessment across all stakeholders and now concentrating on having a specific route to achieve these targets every year, we will be publishing our first integrated report this year. So, very clearly it is not lip service for us, we do believe that it is a great sustainable way to grow with very clear advantages even on business. These are some of the ratings where we had permission to publicly display it here, the rest of it are on our website. Please invited to look at them across agencies, say one, we have actually seen major improvement in our ESG ratings and we hope that we will keep showing these improvements which will actually demonstrate, put the ratings where our mouth is. For making this sustainable, we have actually set an ESG vision. We will be environmentally and socially responsible financial institution, built on a foundation of assurance and we will generate sustainable long-term value for all stakeholders that our ESG vision and we have taken various goals for that and various projects we have taken up for that and next slide actually talk about very specific projects. This is what we have actually achieved. So, we have actually achieved a 20% reduction in our carbon footprint from last year to this year. We have achieved it by putting many energy conservation measures by using green energy, our head office uses green energy completely and then doing something which is up our sleeve, we will do it very well is planting of trees, maintaining them, we are a rural Company and we can do that better than anyone else. So, we tried it very well this year and we will accelerate it as we go ahead. Water neutral, we already are, we were already on a CSR project of water conservation. Once again, it makes great business sense doing water conservation projects in some of the areas where we lend, using of course reuse and recycle, but most importantly as I said water replenishment in draught prone areas. That is something we have done always and it is coming of use. It is making sure that we are already water neutral, one of the few companies in the country which is already water neutral. So, that is it.

This is the time that I should summarize:

Lakshya, we want to be totally digitally enabled, we want to become a retail Company, focus totally on customer, going beyond the product focus that we have. We are going to achieve through 4 major initiatives, one, obviously business which is a sustainable profitability and growth engine, second is futuristic risk management, third is becoming and launching various tools to become a FinTech@Scale and last, but not the least making this all sustainable through ESG. Specifically talking about the first, we are one vector working today, 1.5 may be which is product excellence and may be half of cross sell unleash 5 vectors which is product, cross sell, geographic expansion, different channels, especially digital channels and new products. Through this, achieve and make sure that we achieve the goals that we have set forth. We have used our digital and data analytics for internal excellence, for operational excellence, for operational efficiency till now largely, unleash it now for determining need of the customer, capturing the customer, basically unleash it externally with the end state of having a fully developed digital market. Just would like to end by showing the good things that we have achieved in retail over the last 5 years and that is where we believe that we will not only achieve but perhaps exceed the targets that we have set for ourselves for FY26. Thank you very much for a patient listening. Presentations are already uploaded. We have uploaded two presentations. On Friday, we uploaded Q4 presentation where numbers are in the old format that we were giving rural, housing, infra. This presentation and from now on, we will present retail wholesale. Everywhere, where you will see quarter-on-quarter the character change that we are having and, in few quarters, along with this character change you will also see the total delivery that we are doing. Thank you very much for the patient listening.

Hope, I have been able to give you the confidence that we will be able to further build upon the strengths that we have built and we also have some projects in mind to make sure that the mistakes that we have done are not repeated, in fact they are limited completely, got rid-off and we grow with a new breath. I hope that I have got your confidence to a large extent with this presentation, but me and my team are deeply aware that we have to work hard and grow this confidence in your mind on quarter to quarter. Thank you very much for the patient listening.

Thank you. We are now open for question. I would invite our CFO, Sachinn to join me on the stage and we are open for questions.

Moderator:

Now, I invite questions from the audience please and for the out of India participants, there is a box wherein they can put their question inside and it will be taken. Thank you.

Sarath Chandra:

Mr. Dubhashi, this is Sarath Chandra, investment advisor, 5 years back in the same hall we met, you gave a long presentation and I will just like to open that presentation, slide number 4 and in that slide number 4, you had promised 5 years down the road, you will transform, improve ROE, focus on growth which you have obviously delivered on cost income ratio, etc., rural business, housing business, wholesale business, investment management, wealth management, so on and so forth, 5 years have passed, ROE has come 50% down, stock prices also come down. Five years back, I had got some confidence from your talk, but today you are giving me a new hope, Lakshya, 5 years later on, I don't know whether I will still be in that business, because I am already old, so I hope after 5 years we will not be disappointed again the way we are disappointed after few years. Thank you very much.

Dinanath Dubhashi:

I humbly accept your comments, sir. I would only like to say a few things here, which I said actually at the beginning. I started my presentation by acknowledging that. So, one, as you rightly said the growth, the strength of businesses, the leadership positions in our main products, what we promised we have delivered. Here, certainly the ROE is down for two reasons and this is not an analysis or say that we did good and all, it is the acknowledgment. Two reasons, one of them surely is as you know there is 1700 crores of what could have been profit, but it is today our management overlay that we have kept, 1700 crores is large, it is double our annual profit almost. It is kept throughout and we have built in, throughout COVID for eventuality and as I said in my investor presentation for Q4, we will watch for couple of quarters. If COVID is remaining within limits, we will start slowly releasing, so in our minds it is very important to say that 1700 crores is the balance sheet strength. It is the conservative view of the Company which has not come in ROE, it has not come in P&L certainly, we acknowledge it, but it is there in the balance sheet. It has not disappeared, but it is there and at some point, of time, hopefully quite near, it will come in the P&L. So, that is first. Second, as I said, yes, certainly there were some accident stroke mistakes, I will put IL&FS, I don't believe was the mistake, it was an accident, it was AAA Company, we lent and frankly we did not lose any money there, but it created a big overhang on what were not lost, we were actually swallowing things, but yes, DHFL was a mistake, whichever part of the business it was. It was AAA Company again, we were in trading and dealing with those securities, got stuck, but did we have any business lending to another NBFC, we did not, it was a mistake. Supertech, yes, Supertech was a good promoter at some point of time, should we have lent, 1000 crores or more to them, no, so there are some mistakes which we have done. It has most definitely led to intermediaries and investors, which are paying like you. At this point of time, the entire management is in front of you, humbled, only assuring you that there are lot of things we have done well and we will grow on that and these mistakes we will not commit again. There is one more thing I would like to say is along with management we are shareholders also. The Company stock is held almost 5% by people and genuinely as much as we feel in our heart, we also feel it in our bank accounts as much as you do. Apology sir, apology for what happened and you have the word of the management that we will make sure that it doesn't happen again.

Sachinn Joshi:

I will just like to add something. Sarathji, you would have invested over last 5 years. Five years back, we came up with lots of promises, we have been able to fulfill some, but we would also like to share is the balance sheet that we started up in the beginning of FY17, if you look at the balance sheet, we have gained lots of strength. Today, we have almost close to 20,000 crores in terms of net worth. The plan that we are talking about today, the first thing that we need is a very strong balance sheet. Our provision coverage ratios which used to be in early 20s is about 50% by now. The asset quality also has improved a lot. In case, we need to grow, the first thing that we need is enough muscle and we have developed that muscle, the technology DD already has shared with all of you, the kind of technological progress we have made, the kind of investments we have made. This investment, what we have shared is the output, but let me tell you that the infrastructure that we have built, we have invested very heavily on IT, we have close to 200 people working on the technology side, about 30 odd people working on digital 30-member team, about 35 members taking care of analytics. We also have a large 30-member team working on enterprise data warehouse and then this is backed by IT infrastructure, which is about 100-member team, so lots of investment has gone in, I would say that in that journey that we started off we are somewhere in the middle at this point. We have not been able to complete the course and I believe at that point of time, perhaps the visibility was low. We have achieved 50% of that journey and the next 5 years you are going to reap the rewards, is what we all believe at LTFS

Dinanath Dubhashi:

Just one more thing I will like to add was also the top quartile ROE was achieved despite everything the top quartile ROE was achieved before COVID. After COVID, as I said we have chosen to keep money back in the balance sheet, but again the proof of the pudding is in eating it, you are interested in not only the Company being good, but the market and the share price behaving accordingly, so fully acknowledge and we will definitely do our best now to make sure that the strengths are built upon and mistakes are not repeated

Rikin Shah:

Thank you, sir, this is Rikin from Credit Suisse. Thanks for the presentation. I had two questions, one relating to the new businesses and one on the wholesale side. So, on the new businesses, if you could elaborate some of the new products, how are they fundamentally different versus what you are doing, so I am talking about Pragati, Vishwas and Kisan Suvidha etc., and more importantly if I look at our exit ROAs in 4Q, the retail business they are around 2.6% and simply by unwinding some of the excess provisions that we have created, we could probably go to 2.83% ROA simply while doing that, so is it fundamentally correct to assume that the yields of all these new products, the behavior is going to be largely similar to the existing businesses at the portfolio level that is on the new business and second on the wholesale side, given that we would be looking to either exit through inorganic routes or kind of look for a strategic partner, how should one think about the risk that if there could be any further haircuts required, any hidden skeletons in our existing portfolio and how should one think about the provisioning and an extension to that is, the employee attrition within the wholesale, so is there a risk that the existing business heads who run this businesses may or may not stay and portfolio quality could be impacted?

Dinanath Dubhashi:

And you said that is it you actually ask the whole strategy, I will answer this question in some detail, I will take the second one first because obviously lots of people are wanting, so number one, we don’t have a thing in our lexicon called hidden skeletons, perhaps we have suffered more, with the first sign of danger come to the investor call and say, that it is a problem. I told about Supertech almost 1.5 years before it actually became NPA that we have Supertech, so hidden skeletons, no surely. When do you make a big haircut or a loss, when you are selling something if it is a panic sell, naturally, so if it is a panic sale, then you will make a loss. I will make an unequivocal statement that neither of this is a panic sale, always we are ready with the plan B. Infra, very simple, if we don’t get value and that to the value, we are looking for which I won’t tell now. We will not sell. We will continue with the current model of asset light, now it is 40,000 crores or 30,000 crores when retail becomes 1 lakh crores, this can become 45,000, it will grow less and the speed 80% retail will be done in 4 years. So, that is the plan, so infra very clear, there is no vulture thing here. Real estate, again, why are we talking now, we took one year of pain to demonstrate that we can actually collect 3200 crores, the 3200 crores is a large part of the book. We have brought down the book. In some cases, we have to sell it to ARC in the meanwhile and then resolve. There are assets we have resolved and how the resolution happens, a good customer comes and replaces the not so good developer and moves. Can we talk about the case, I don’t know, there was a beautiful project near or behind Hiranandani hospital. The developer came into problem because of some other hotel, etc., he did. We got another developer to come and take up that. The project was already with the ARC. There were certain flats that we have taken. Today, all the flats are sold, the project is already out of ARC and resolved completely. So, that is plan B. Plan A is talking to various other funders, whether they can come with us 50:50, 51:49 that the funding after this to complete, they can do, so that our exposure doesn’t increase and yes, they get better part of the return, etc., there are various structures like that. We are discussing them, very clearly taking a big haircut is at this point of time not on the agenda. Even then one more thing I will mention, last. You know for sure that we are selling mutual fund. Mutual fund also I would like to clarify. There was some talk that we are selling it cheap, etc. I think I had clarified it last time; we are selling it for $425 million plus cash in the Company and the cash in the Company was the order of another $100 million. So, it is $525 million which we believe is a good price, especially considering the sale that has happened after that. Almost whole or the majority of the profit as is our habit, we will keep it as macro-prudential provisions. That doesn't mean that we are expecting that loss, etc., if we would have expected that we would have kept a particular amount, but we are just keeping the entire profit rather than declaring that profit, declaring one-time profits is no fun, nobody gives value for that, no meaning. so actually, keeping it, so if something happens so it should not hit this growth journey which we are now putting. So, having a main plan where there should not be any shocks, at the same time remaining humble, may not be able to control all shocks and because of that keep a kitty and this will be a large kitty, selling at $525 million after even taking out the cost price, it will be a large kitty and we will keep that. There is one more thing, people. Certain attrition at lower levels, etc., is given. Also, the scale at which we are actually having our real estate platform, those types of people were anywhere not necessary and we will actually encourage them to seek a career if they want the career in the real estate. The Company is growing so much that if they want the career somewhere else, we can give, anyway I do believe and I joke also privately, you were not born from your mother's womb saying real estate professional, you were not even born saying financial services, you grew into it, so you can do something. Last but not the least, Raju Dodti, who is sitting here who heads my Wholesale Finance is the person actually spearheading this whole inorganic process, so which shows the quality and the spirit of the people that we have and the trust that we have in our people. We are trusting him to run the process. Ajay Chaudhary, who is his number two in infra, he is working with the people to give the data and doing the process, so one is, this people had future and anyway since we are only getting a partner there is a very clear future for them, in fact the future is better that if just you remain with L&T Finance then the capital is not growing and they have to keep doing this underwriting and sell down. If a new partner comes and puts equity and obviously that partner is not going to be some shitty Indian name, they will either be a great Indian name or a great foreign name because they should also have that capital to put and take 51% stake in a 30,000 crores portfolio. So, it will be a name of quality if we go ahead and it will be a great career for people, so I hope that answers all of your questions regarding wholesale side

Rikin Shah:

Yes, it does

Dinanath Dubhashi:

Now, retail, so some of these products details I will let my investor relation talk up after later on because let us talk what we are trying to do, so let us say tractors, we used to fund the tractor, maximum the implement and then forget about that customer. Now that same customer may need a top-up at some point of time, may need many other loans for his normal operations. The customer will be a very well-paying customer with us and we were not using this wealth of customer. We will do the same thing, go to the dealer again, stand with the dealer, look at new customers, which is good, which we should do. What about farming, we were great hunters, we were shitty farmers which is ironical considering that most of our customers are farmers, but we were not doing farming of data which now we have started doing and actually if you see those graphs, we have started talking about it 2 years after we have started. So, people have very specific targets now of these kind of things within their KRAs. So, Sonia who heads my rural business loans or Ashish who heads farmer loans have very specific targets and he and his team or she and her team have targets on farming that how do you launch more and more products for the existing customers. Details about each product, I can give because they are my favorite products, but we will be taking too much time, they will definitely clear, but one thing I can tell you that naturally because it is existing customers we can lend with more confidence and because of that the quality is, I mean it is something else of that portfolio, the various quality parameters are three times better, four times better, it is not percentage better, so that is how it is trending. So, it is all very good

Aditya Jain:

Thank you sir, Aditya from Citi, I wanted to ask about, as you mentioned getting people to download an NBFC app is not a simple question to answer, so how natural is it to extend the whole infra to the web platform and how much of cost it is to have all the journeys which users are doing on the app also available on the web and do you think that dilutes the proposition in some way that people don't download the app, so do you lose something and past implications of the whole FinTech related products that you want to work on?

Dinanath Dubhashi:

Good question, very important thing to understand that the most dangerous is, lunch an APP and then force fit what you have into that, I have been through this that you launch app or a software before and then whatever happens physically you try and capture that which is a disaster. A customer who wants to remain physical will remain physical and you have to keep getting better and better at physical. This is in addition, this is another layer on it that if that customer wants to become digital, we are there and then there are many other customers who are very comfortable in being digital who don't want to be physical. We launch for them, so it is not my farmer, somebody asked me one of our board members, we should increase our Google Pay or UPI payments and how much we do and we should increase it and my answer to that is why, actually it is a question. What I will maximize is my e-NACH registrations and make sure to my data analytics that my e-NACH gets passed more and more. Whatever collections happen without any choice to the customer to press yes or no is better, right, so we should not look at a solution and go in search of a problem. There should be a clear problem which we are handling. So, all our push is towards looking at that problem which we are handling and not a solution, then keep searching for problem, that is deadly and at a cost of sounding naive, not naive, ignorant I will today say we will not do something in Blockchain and then we will not keep looking for problems to solve. There are at a time where Blockchain or Web 3.0 will become a reality we will get that, but at this point of time, entire investment is to make sure that efficiency is maximized, effectiveness is maximized and add these channels over what we do excellently today. If our customer comes to a dealer to buy two wheeler, I'm not going to tell him, now you have finalized, so please do it in App, that will be a disaster, that I will close there, but the whole idea is the customer wants to approach if I have a two wheeler market place soon I don't have, let us say with the EV manufacturer I enter into an integrated API and that EV manufacturer has a model of direct sale I should be pegged in there to do that direct sale and that is the differentiation. Investment, I don't want to give precise numbers, frankly it is not as much as I would like to be, I always keep telling my CDO that he should invest much more, not waste money, I will look at every rupee spend, but we should look at avenues to invest much more. Question is not whether we can afford to invest, we can. The most important point is we just cannot afford not to invest. We have to be at the forefront of technology because that is the way to go forward without sacrificing what we have to do. Let us give an example, today farmer loves to go to the mandi, sell, spend his time in the Taluka place where the mandi is, buy a few goods, clothes, etc., toys for his children and come back, are we going to replace that till he wants to be, no, but are we going to hopefully one day, this is of course subject to farm laws and all enable him to sell his goods sitting there, yes we will, I will give a very simple example, how many years back, just 5-6 years back, it was said that going to branch, doing some time pass, people like that, they will not do internet banking. What was the last time we entered the branch, so things do change fast and I am sure even the farmer will change. The point is are we ready for him 2 years before he changes and are we also proving agents for him to adopt this change slowly.

Aditya Jain:

If I ask something on infra lending, so if you see the business today versus 5 years ago, underwriting we find a lot more banks participating in that segment, maybe there is more discipline around how projects are underwritten, has the business changed structurally or do you think it is a cycle which will bring in interest from different players at different times?

Dinanath Dubhashi:

A mix of both, infra has this tendency of becoming flavor of the month, two years back infra nobody was touching it, today people are asking you are such value why are you exiting it, the first answer is we are not exiting, we are only looking for a partner, but this is flavor of the month. It keeps going up and down, but answer to your other question is also yes, the nature is certainly changing. Your ability to monitor projects, getting very specific data on projects, the technical inputs into the project and the early warning signals which can come from the project have gone to another level and that is where we believe, otherwise just by lending we won't be able to compete. There are projects which are being funded between 7-7.5%, 7.5%, where will you go after lending at 7.5%. The ability we have developed to identify, to monitor underwrite and down sell makes this business viable for us and viable for the partner who will come in and some of these projects, sometimes it looks like the projects are going slow, they sometimes indeed go slow, but the ability to closely monitor them in bad conditions, COVID for example, 2 years we were not able to visit the projects. We had one project which was getting complete in the state of Kashmir. We were able to monitor it closely and today, we are proud to say it is one of the best tunnels, not one, I think perhaps the best tunnel in the country, the Qazigund tunnel which will perhaps change the geopolitical muscle of the country, a journey which used to take 2 hours to 9 hours now takes 9 minutes. We are proud of it. We have created an asset for the nation and the Indian army. So, yes, the nature has also changed, but yes, it is cyclical also. Like and dislike for infra is very cyclical.

Nischint Chawathe:

This is Nischint from Kotak Securities, on the capital gains from stake sale in mutual fund, you mentioned that you are going to keep this as macro-potential provisions, rough calculation suggests that the capital gains are going to be almost 2x of the current provisions, so how should one look at it, it is just something which is to be a buffer or is it going to be, some part of it could be a special dividend, how should we think of it?

Dinanath Dubhashi:

Special dividend part, I may not be able to answer right now, we will take these calls closer to that. Right now, I meant it as a statement of intent that large part of it we will keep as a buffer. If there is a special dividend that is for the board to decide, too early to decide. There are also some RBI regulations on amount of dividend which can be declared, we have to see what we do vis-à-vis that also. We will at some point of time we may also explore merger of the listed Company with the operating Company. So, for the listed Company once the mutual fund is sold, there is no need to have that right, so we will explore all these things and the precise answer will come out of that. I was just answering as a statement of intent that our intent or normally our leaning will be towards creating a buffer. That buffer will be by no means any indication, we will keep it for the rainy day and we have found out over the last two years that rainy day can come anytime. So, that is the idea. So, I am sorry if I have not given a precise answer, the answer is I don't know today. That is the intent.

Nischint Chawathe:

The real estate side, I think the NPA coverage is around 30%, NPA exposure on the real estate book?

Dinanath Dubhashi:

It is almost entirely on one account.

Nischint Chawathe:

Would you be comfortable to at this coverage or would you want to increase this?

Dinanath Dubhashi:

We have close to 30% coverage at this point on that account. Obviously, I am comfortable right now, otherwise Ind AS means I have to provide more. We believe that the stage at which the asset is. What was the problem, there are assets on the ground, by the way we have more stakes in the building towers which are being raised and things like that. Our projects, we have been always telling is at a particular stage of completion, now with that name that 100% completion and people buying is difficult, let us accept, so we have been trying on our own, so we have certain non-project assets mortgaged to us, so there is one choice of taking them over selling them practically and getting off. Second, an NCLT process, we have been also trying to replace which is not easy considering the current mental state of the builder. The NCLT process, in fact we were trying to get into NCLT much before it was actually admitted. We are actually positive that it should hopefully quickly result in somebody taking over. We believe given the asset coverage that we have in our projects plus the additional assets that we have. Even by the estimate of the builder, it is about 50% of that total exposure, put any haircut to that even if it is 30-40% of that total exposure, additional assets plus the project assets. We believe that at 30% projects we should be fine at this point of time

Nischint Chawathe:

Just coming to digital strategy, thanks for the detailed presentation, we are still trying to absorb some parts of the presentation, of course, but don't you think that there are too many things happening here, so many segments, products, etc., so does this get implemented over the next couple of quarters, over the next 2-3 years and what if some of these things don't really fall in place and specifically comes in the backdrop of the fact that it is expected rural slowdown or already a rural slowdown out there and probably see, you are already seeing fuel prices going up, so next 6 months or next 1 year, for the rural economy specifically may not be as good as what they were say last about 1 or 2 quarters?

Dinanath Dubhashi:

Actually, there are many questions in that one question and I will try and answer, but let me take it in the order of importance, strategic first, then cyclical slowdown, I will talk about it. So, strategically, many of these things like that we are doing, so first of all the many things as you say are actually just a component of few things. The few things are what, there are just 5 vectors out of which 1.5 we are already there which is product excellence and cross selling. Now, we have to increase on that cross selling, we have to get our urban foray right. Digital also we are quite a bit there, we have to get this app and all right and third is the new products, we have to make majority of them successful. So, in summary, there are three things. To make sure that the majority of these things are successful, we have to have the right organization. So, we have actually what been initially perhaps being managed under one chief executive, we have now three there and plus we have SME, so we have four chief executive level people reporting to them. So, each one, it is like a separate Company actually, a separate medium sized Company running their businesses that is why I believe that the majority of this will be successful. Why I keep on saying this majority, it is given that some of the mini projects that we do will not be successful, that is life, and that is why we are planning all these things that even if 70 to 80% of the things are successful, we will do these targets. What we will make sure is we will not go wrong in asset quality because there not being successful means damage. We may be not successful in growing or establishing a firm grip on the market, but we will make sure that asset quality is good. If you are not able to establish a few things in any portfolio there will be certain things which will not do well, but by very nature the things which do well will keep becoming bigger and bigger part of portfolio because they are successful, basic tenants of portfolio strategy and that is answering your second question that what if a few don't become successful, I will tell you today that some will not become successful. We will make sure that we will double down on what become successful and that it is over managed so that what is not successful doesn't damage the portfolio to a large extent and that is it. Now coming to farm, two things, the whole strategy is if you see to make sure that which I always say that in the good cycle we should gain more than the market, in a bad cycle lose less than the market, the whole strategy towards micromanagement of pin codes, doing more sells to existing customers which is not dependent on the sale of the primary goods, primary commodity. Otherwise, we will never be able to get away from cycles is one of our tools to get there. Last but not the least we believe that the major slowdown in the rural market has actually happened. We always proudly state that we are ahead of the market in predicting the trends in the rural market, you will remember Nischint that from last four meetings I have been saying rural markets are slowing down, world has started to realize it now as if it is something new. We actually believe that with the current predictions of monsoon, the current trends of rabi market, the current mandi prices, if monsoon indeed is good from this festive season, we believe trends will turn. In fact, in our internal projections, none of the rural market we have taken a negative growth. We have not taken a positive growth for the industry, but we have taken a steady industry growth for FY23, so we are once again being contrarian here. I don't think rural market bad news is coming. I think rural market bad news we have lived through for one year already. So, I have answered your question from strategic to the next 6 months. If I miss something you can ask now, ask later.

Moderator:

Thank you, sir, for your detailed response, we move on to the next question. No questions please

Dinanath Dubhashi:

Let me just take a minute, summarize, clearly four vectors, big one, profitable growth, we showed how it is going to come from, these 5 growth vectors that we are unleashing, continued product excellence, cross sell, geographic expansion, digital channels, new products. In addition to this we will certainly be open, there were no questions to that, but continuously be open for portfolio expansions and hopefully if you guys give us a better and better multiple, we will also be open for acquisitions. Right now, our multiple makes it impossible, we will have to pay somebody much more, but we may be open as we go ahead. The whole idea is how do we use up this 25% capital adequacy and perhaps which will go up to the 30s after the mutual fund is sold quickly and bring it down back to a 17-18%. The 3% ROA also has to translate into ROE and that is where growth becomes very important and that is why so much concentration is going on growth. It will obviously come always while controlling risk. That is where we are looking at NexGen risks. Digital and data analytics we have CDO and its whole team working on making sure that all this is not only digitally enabled, but digitally led and last but not the least making sure that this is all very sustainable. At the same time, when we grow retail to 80% making sure that the great infra platform we have developed, we get value out of that and real estate we make sure that no shocks are given and we slowly recover, complete the projects and recover that money. The entire management stands here confident of the good things that we have achieved over the last 5 years which gives us the confidence of achieving more over the next 5 years and also hopefully wiser and definitely much more humble of the mistakes that have happened in the last 5 years and we will do everything to make sure that they are repeated in the future. Thank you very much for the patient hearing. I promise you on behalf of the management that each one of these things, we will report progress at quarterly meet. Some of these things at every quarter, there may not be progress, but definitely some of these has the biggest accountability comes from milestone and the milestone tracking. So, we will keep showing you that, keep demonstrating that. Thank you once again for the patient listening. We will break now for lunch.

Moderator:

Thank you, sir, for the detailed clarification. With these, ladies and gentlemen, we conclude the investor and analyst meet 2022 for L&T Finance Holdings. For any further clarifications, request you to contact the Investor Relations team. We now request you to join the lunch which is served outside the ballroom. Thank you very much.

*Since the transcript has been derived from a voice recording tool, necessary corrections have been made to remove anomalies as well as manifest but inconsequential factual discrepancies which would have unintentionally crept in, if any