

PRESS RELEASE

L&T Finance Holdings Ltd. (LTFH) announces financial results for Q3FY21

- **Strong economic recovery across sectors led by Rural and Infrastructure:** Highest quarterly disbursements since Q1FY20, up by **51% QoQ**; Highest quarterly disbursement in Farm Equipment and Two-Wheeler Finance since FY17
 - Farm Equipment disbursements up **43% QoQ** at **Rs. 1,554 Cr** in Q3FY21 (vs. **Rs. 1,089 Cr** in Q2FY21)
 - Two-Wheeler disbursements up **50% QoQ** at **Rs. 1,652 Cr** in Q3FY21 (vs. **Rs. 1,102 Cr** in Q2FY21)
- **Increase in NIMs + Fees to 7.39%**, led by highest quarterly fees & other income in Rural, outcome of judicious treasury management and abundant market liquidity which led to a reduction in cost of borrowing
- **Significant reduction in cost of borrowing by 50bps QoQ** (from 8.32% in Q2FY21 to 7.82% in Q3FY21)
- **YoY reduction in GS3 from 5.94% to 5.12%** (vs 5.19% in Q2FY21); **NS3 reduced from 2.67% to 1.92%** (vs. 1.67% in Q2FY21)
- **PAT** in Q3FY21 saw a **10%** increase over Q2FY21 and stood at **Rs. 291 Cr**
- **Continue to carry additional provisions** (over and above PCR and standard asset provisions) of **Rs 1,739 Cr** (1.90%) on standard book as of Q3FY21
- **Rated AAA by CRISIL, ICRA, CARE and India Ratings**

Mumbai, 15 January 2021: The Board of L&T Finance Holdings (LTFH), a Non-Banking Financial Company (NBFC), present in lending businesses including Rural, Housing and Infrastructure finance, today announced the financial results for the quarter ended December 31, 2020.

LTFH is a market leader in Farm Equipment finance, and among the top five financiers in Two-Wheeler finance, number three financier in Micro Loans and one of the leading players in financing of Infrastructure sectors like renewables and roads. With a sustainable business model, data analytics led collection and disbursements, and a sharp focus on asset quality, the company remains committed to building a stable and sustainable organization for its consumers and other stakeholders.

Commenting on the financial results Mr. Dinanath Dubhashi, Managing Director & CEO, LTFH, said, "Post Covid, the rural economy has performed better than urban and this trend is reflected in our disbursements, which are almost at pre-covid levels. The festive season uptick and a steady recovery in collection volumes also underline our rural performance. Our strong performance in Infra disbursements should be seen alongside the sell-down volumes, which have increased on a YoY basis. It allows us to generate more fee income while proportionately reduces the need for allocating higher capital."

L&T Finance Holdings Limited

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Key Highlights of Q3FY21:

The quarter saw a strong economic recovery across sectors led by rural and infrastructure. Higher farmer income, positive rural sentiment, combined with the festive season helped maintain market share in farm equipment and two-wheeler finance.

A. Disbursements: The company witnessed excellent pick-up in disbursements across businesses and has achieved highest quarterly disbursement since Q1FY20.

- **Rural Finance:** The quarter witnessed steady QoQ & YoY improvements in disbursements across Farm Equipment Finance and Two-Wheeler Finance.
 - a. Farm Equipment Finance: Disbursements grew at **43% QoQ** (13% YoY), which was the highest quarterly disbursement since FY17. It witnessed increased business from top dealers on the back of strengthened Trade Advance (TA) proposition
 - b. Two-Wheeler Finance: Disbursement growth was at **50% QoQ** (10% YoY) and the business continues to see growth momentum
 - c. Micro Loans (ML): Strong pickup in ML disbursements QoQ, up **53%**, owing to improved collection efficiency. However, disbursements were down **19%** YoY as focus remained on existing customers
- **Housing Finance:**
 - a. The Home Loan business which is focused largely on the salaried segment and direct sourcing, witnessed moderate pickup in disbursements. Home loans to the salaried segment constituted **94%** of Q3FY21 disbursements, standing at approx. **93%** of Q3FY20 levels
 - b. Real Estate: Continued to be selective in disbursements with focus on providing support to existing projects to ensure project completion
- **Infrastructure Finance:** Highest quarterly disbursement since Q1FY19. The business continues to maintain strong emphasis on portfolio monitoring and disbursement focus towards existing projects completion.

B. Liquidity: Astute treasury management and abundant market liquidity has helped in reducing cost of borrowing, leading to increase in NIMs + Fees to reach **7.39%**

- Reduction in cost of borrowing by **50bps** QoQ (from 8.32% in Q2FY21 to 7.82% in Q3FY21)
- Maintained lower average liquid assets during the quarter
- Prepayment for high cost borrowing and renegotiation of interest rates

AAA rating and strong parentage has helped LTFH bring down the cost of funds this quarter. As of December 2020, the company maintained **Rs. 16,442 Cr** of liquidity including assets in the form of cash, FDs and other liquid investments of **Rs. 7,709 Cr**

C. Highest Credit Ratings: A diversified business presence, strategic importance to L&T, strong resource raising ability and adequate capitalization resulted in LTFH and all its lending subsidiaries' long-term ratings rated '**AAA**' by all four rating agencies:

- a. **CRISIL** – May 2020 and in December 2020
- b. **CARE** - October 2020
- c. **India Ratings** - September 2020
- d. **ICRA** - September 2020

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D. Balance Sheet: LTFH continues to maintain a strong capital adequacy of **21.82%**. Furthermore, the ongoing traction in our analytics-based collection efforts augurs well with our objective of building a strong balance sheet.

The Gross Stage 3 assets of the company stood at **5.12%** in Q3FY21 of its book, showing a reduction of **82bps** YoY. The company also strengthened the PCR on Stage 3 assets from **57%** in Q3FY20 to **64%** in Q3FY21.

Period	Q3FY20	Q2FY21	Q3FY21
Gross Stage 3	5,662	4,921	4,935
Net Stage 3	2,458	1,530	1,791
Gross Stage 3%	5.94	5.19	5.12
Net Stage 3%	2.67	1.67	1.92
Provision Coverage %	57	69	64

As a prudent measure, LTFH continues to carry the additional provisions of **Rs. 1,739 Cr** in Q3FY21. This is on account of macro prudential provisions, COVID-19 and accelerated Expected Credit Losses (ECL) provisions on Stage 1 & 2 assets, which are over and above the ECL model on GS3 and Stage 1 & 2 assets.

E. Focused Lending Book: Within the focused lending book, the Rural Finance book grew by **4%** YoY, aided by growth in Farm Equipment Finance book by **18%**, and the Two-Wheeler Finance book by **9%**. The Home Loan segment grew by **3%** YoY.

Rs. Cr	Q3FY20	Q3FY21	Book Growth (%)
Focused Lending Business			
Rural Finance	27,594	28,828	4
Housing Finance	26,689	26,174	(2)
Infrastructure Finance	39,674	41,456	4
Total Focused Book	93,956	96,459	3
Defocused Businesses	5,497	3,640	(34)
Total Lending Book	99,453	1,00,099	1

The Average Assets under Management (AAUM) of the Investment Management business stood at **Rs.68,976 Cr** in Q3FY21. The AUM for Equity and Fixed Income asset classes as on 31 December 2020 stood at **Rs. 38,906 Cr** and **Rs. 22,483 Cr**, with a growth of **9%** and **20%**, respectively, QoQ basis.

Financial Performance:

LTFH is focused on leveraging the power of data and analytics to build a 'collection-led disbursement' model, which, along with economic recovery in the rural segment, has led to a significant improvement in collection efficiency and a strong pickup in disbursements (QoQ). The sentiment continues to remain positive in the rural sector.

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The company posted a consolidated PAT of **Rs. 291 Cr** in Q3FY21, a **10%** increase QoQ, from **Rs. 265 Cr** in Q2FY21

- PAT in **Q3FY21** saw a **51%** reduction YoY, from **Rs. 591 Cr in Q3FY20**
- **NIMs + Fees** at **7.39%** (Q3FY21) vs **7.29%** (Q3FY20), highest ever since FY17
- Reduction in **GS3** from **5.94%** to **5.12%** YoY; **NS3** reduced from **2.67%** to **1.92%** YoY; Increase in **PCR** from **57%** to **64%** YoY
- The cost of funds has gone down by nearly **50 bps** for the entire book from **8.32%** in Q2FY21 to **7.82%** in Q3FY21

Mr. Dubhashi further added, “In the long term, structural changes such as government initiatives, normal monsoons and better infrastructure will continue to improve financial health in rural. We will maintain focus on capitalizing on our market leadership position in Farm Equipment and Two-Wheeler Finance to drive business volumes.”

About L&T Finance Holdings:

LTFH (www.ltfh.com) is a financial holding company offering a focused range of financial products and services across rural, housing and infrastructure finance sectors, as well as in mutual fund products, through its wholly-owned subsidiaries, viz., L&T Finance Ltd., L&T Housing Finance Ltd., L&T Infrastructure Finance Company Ltd., L&T Infra Debt Fund Limited and L&T Investment Management Ltd. LTFH is registered with RBI as a CIC-ND-SI⁽¹⁾. L&T Infrastructure Debt Fund is indirectly wholly-owned subsidiary of LTFH with 100% of its shareholding held by LTFH, along with its wholly-owned subsidiaries.

LTFH is promoted by Larsen & Toubro Ltd. (L&T) (www.larsentoubro.com), one of the leading companies in India, with interests in heavy engineering, construction, electrical & automation, IT and financial services.

[1] Systemically Important Core Investment Company, a classification of Non-Banking Financial Company (NBFC) by RBI.



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