

Press Release

Wednesday, October 20, 2021, Mumbai

L&T Finance Holdings announces financial results for the quarter ended September 30, 2021

- **PBT at Rs. 320 Cr, up 34% QoQ. PAT at Rs. 224 Cr in Q2FY22, up 26% QoQ**
- **Normalisation across collections & disbursements:** Steady growth through quarters
 - **Collection led disbursement focus:** Retail disbursements up **55% QoQ**; Highest ever Q2 disbursement in Rural Finance
 - **Analytics based collections:** Rural Finance business collections at **Rs. 5,431 Cr**, similar to Q3FY21 and Q4FY21. Collection efficiencies normalized to pre-Covid levels
 - **Adequate Provisioning:** Covid 2.0 related risks adequately addressed through additional provisions and OTR provisions of **Rs. 1,747 Cr** (2.22% of standard book)
 - **Increasing traction in LTFH's first 'Digital Native' Consumer Loans business: Rs. 479 Cr** disbursed in Q2
 - **Liquidity:** Adequate liquidity buffers maintained as a prudent measure with liquid assets of **Rs. 13,122 Cr**
- **Continued delivery on Business Strategies:**
 - **Increase in retailisation:** Rural + Retail Housing Book at **47%** of the total book
 - Achieved **NIM+Fees** of **7.58% in Q2FY22** vs **7.52%** in Q1FY22
 - Lowest ever **WAC** at **7.53%**; Reduction in quarterly WAC by **11 bps QoQ**
 - **GS3** at **5.74%** in Q2FY22; **PCR** at **52%**; **NS3** at **2.81%**; **GS3** at **Rs. 4,796 Cr**
 - Poised for medium to long-term growth with:
 - **D/E** ratio at **4.40** in Q2FY22
 - Strengthened balance sheet - **Capital adequacy** improved to **25.16%** (Tier 1: 20.06%)
- ICRA revised long-term ratings outlook of LTFH to **AAA 'Stable'**

The Board of **L&T Finance Holdings (LTFH)**, a leading Non-Banking Financial Company (NBFC), today announced the financial results for the second quarter, ended September 30, 2021. LTFH being a Core Investment Company (CIC), carries out its businesses through its wholly owned subsidiaries.

LTFH is among the market leaders in Farm Equipment finance, Two-Wheeler finance, as well as Micro Loans and continues to be one of the leading players in financing 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, L&T Finance Holdings, said, "Covid 2.0 as well as skewed monsoon and other macro-economic factors have had an impact on the business environment in Q2. Despite this, LTFH's Rural Finance business had its best-ever Q2 disbursement and witnessed normalisation in collections and disbursements. The Company's ability to successfully deliver on business metrics this quarter as well as throughout the Covid quarters is an important validation of its sound digital and data analytics strategy."

Key Highlights

Through FY21 and continuing into FY22, LTFH has proved its ability to deal with extremely tough conditions and emerged stronger. In Q2FY22 too, the Company successfully addressed any Covid 2.0 related risks and saw a return of normalisation across disbursements and collections. LTFH has maintained a sharp focus on the business levers by shoring up liquidity, strengthening the balance sheet, following a data analytics-based collections approach, and rigorously adhering to the collection led disbursement strategy. This has not only safeguarded the balance sheet through adequate provisioning for Covid 2.0 related risks but also helped propel the Company's retailisation strategy, which now stands at **47%**.

- A. Disbursement:** In Q2FY22, all LTFH businesses witnessed robust disbursement momentum. Rural Finance business saw the highest ever Q2 disbursement at **Rs. 4,987 Cr**, up **51% QoQ**. The total disbursements in the quarter stood at **Rs. 7,339 Cr** for the focused businesses.

Rural Finance: The business achieved highest Q2 disbursements on back of faster recovery. Disbursements in the Micro Loans business normalised in September.

- a. **Farm Equipment Finance:** While the Industry de-grew by 11% YoY, LTFH achieved its highest ever Q2 disbursements and maintained market share QoQ with continued focus on refinance, which contributed ~28% to total farm disbursements.
- b. **Two-Wheeler Finance:** In Q2FY22, the business maintained its market share and achieved highest ever Q2 disbursements with a 51% QoQ growth through extensive use of analytics to increase counter share with top dealers.
- c. **Micro Loans:** Continuing with the normalisation, Micro Loans disbursements rose to **Rs. 918 Cr** in Sep-2021. The focus remained on repeat customers, geographies with improved CE as well as tapping newer geographies. The company launched its Micro Loans business in Rajasthan this quarter.
- d. **Consumer Loans:** The business, which is LTFH's first 'digital native' business, maintained its focus on existing customers and rapidly scaled-up with disbursements of **Rs. 479 Cr** in Q2 on the back of smart analytics-based sourcing.

Housing Finance:

- a. **Home Loan/LAP:** The Home Loan business saw steady disbursements and continued to maintain focus on the salaried segment. The salaried home loan book was up **7% QoQ**.
- b. **Real Estate Finance:** In the quarter, the Real Estate Finance business continued to focus on tranche disbursements with priority towards projects at an advanced stage of construction and disbursements in new proposals undertaken only for pre-approved top developers.

Infrastructure Finance: In Q2FY22, disbursements were at **Rs. 1,347 Cr**, with continued focus on refinancing of operational solar projects and funding of greenfield projects. Project level collections have normalised, and the business saw concerted efforts on retaining assets on book by containing prepayments.

- B. Collections:** Collections normalised across businesses in Q2FY22, led by smart data analytics, concerted field efforts and gradual unlocking of the economy. Collection Efficiency reached pre-Covid levels across products.
- **Retail:** Regular collection efficiencies in Farm have stabilized at ~90% & in Two wheelers at 98% for Q2FY22. Regular collection efficiencies for Micro Loans have surpassed 99% levels with increased resolutions in higher buckets as well.

- **Wholesale:** Furthermore, escrow collections in Real Estate portfolio during Q2 normalised, up 18% QoQ, and are in line with Q3FY21 & Q4FY21. In Infra, no impact was seen on operational projects in NHAI annuity, Transmission & Renewables sector. Collections from Toll road portfolio were also at 112% of pre-covid levels during the quarter.

C. Liability Management: Liquidity continued to remain comfortable in Q2FY22, with a well-diversified liability profile, which demonstrates astute treasury management to diversify funding sources at a lower cost of borrowing. The focus on raising low-cost incremental long-term borrowings continued in Q2FY22.

- Reduction in quarterly WAC by **11 bps** QoQ and **79 bps** YoY to **7.53%**; lowest ever cost of borrowing
- Raised **Rs. 5,030 Cr** of long-term borrowing in Q2 at a WAC of sub **6%**, including **Rs. 2,195 Cr** from PSL funding
- Higher NIMs at **7.58%** achieved YoY through higher retailisation, reduction in cost of borrowing and maintaining lower average liquidity
- As of September 2021, the Company maintained liquid assets in the form of cash, FDs and other liquid investments to the tune of **Rs. 13,122 Cr**

D. Highest Credit Ratings: During FY22, LTFH and all its lending subsidiaries long-term ratings have been reaffirmed 'AAA' (Stable Outlook) by all four rating agencies:

- CRISIL: Apr'21 – May'21
- CARE: Sept'21
- India Ratings: Apr'21
- ICRA: Aug'21 – Sep'21

Additionally, ICRA revised the outlook on the long-term ratings of LTFH and L&T Finance Ltd, to '**Stable**' from 'Negative'. The revision in outlook was on account of improved capitalisation and increased granularity in loan portfolio, given the focus on retailisation.

E. Focus on Strengthening Balance Sheet: From FY19 and all through the Covid quarters, LTFH built macro-prudential provisions for unanticipated future events which has held the Company in good stead. Continuing this focus, in Q2FY22, LTFH is prudently carrying additional provisions and OTR provisions of **Rs. 1,747 Cr** (2.22% of standard book). These provisions are over and above ECL on GS3 assets and normal ECL on standard assets. The GS3 in absolute terms stood at **Rs. 4,796 Cr** in Q2FY22, remaining almost stable on QoQ basis. In percentage terms, the GS3 and NS3 assets of the Company stood at **5.74%** and **2.81%** respectively with PCR on Stage 3 assets at **52%**. Overall capital adequacy improved to **25.16%** (Tier 1: 20.06%) and **D/E** stood at **4.40** in Q2FY22.

<i>Rs. Cr</i>	Q2FY21	Q1FY22	Q2FY22
Gross Stage 3	4,921	4,881	4,796
Net Stage 3	1,530	1,691	2,281
Gross Stage 3 %	5.19	5.75	5.74
Net Stage 3 %	1.67	2.07	2.81

F. Focused Lending Book: In Q2FY22, the Rural book saw a growth of **3%** QoQ, supported by growth in Farm Equipment Finance. The share of retail portfolio in the overall book grew to **47%** in Q2FY22. In Infrastructure Finance there was a book de-growth on account of lower disbursements and higher sell-down/ prepayments. The Focused Book stood at **Rs. 84,466 Cr** in Q2FY22.

Rs. Cr	Q2FY21	Q2FY22	Book Growth YoY %	Book Growth QoQ %
Lending Business				
Rural Finance	28,371	30,497	7	3
Retail Housing	11,735	10,437	(11)	0
Total Retail Finance	40,106	40,934	2	2
Real Estate Finance	15,506	12,248	(21)	(1)
Infrastructure Finance	38,560	31,284	(19)	(6)
Total Focused Book	94,172	84,466	(10)	(2)
Defocused	4,651	2,470	(47)	(8)
Total Lending Book	98,823	86,936	(12)	(2)

In the Investment Management business overall AUM crossed Rs. 80,000 Cr in Sep-21, increasing **5%** QoQ on account of higher inflows. Pure Equity & Hybrid mix for LTFH stands at **59%** of the AUM as against **47%** for the industry.

G. Financial Performance: Despite Covid, the Company's collection led disbursement strategy, backed by concerted on-field collection efforts as well as data analytics led prioritization and resource allocation led to steady growth in Q2FY22.

- **PBT of Rs. 320 Cr, PAT of Rs. 224 Cr** in Q2FY22
- Carrying additional provisions and OTR provisions of **Rs. 1,747 Cr** (2.22% of standard book) over and above ECL on GS3 assets and normal ECL on standard assets; adequate for additional risks on account of Covid 2.0
- Lowest ever WAC; Reduction in quarterly WAC by **11 bps** QoQ at **7.53%**
- Achieved **NIM+Fees of 7.58%, up 6 bps QoQ**
- **D/E** ratio at **4.40** in Q2FY22
- **GS3** at **5.74%** in Q2FY22; **PCR** at **52%**; **NS3** at **2.81%**
- **Increase in retailisation:** Rural + Retail Housing Book share grew to **47%** in Q2FY22 from 26% and 41% in FY16 and Q2FY21 respectively

Mr. Dubhashi further added, "LTFH's strong track record of consistent improvement in collections and disbursements throughout the Covid quarters, is reflected in its Q2FY22 performance. Disbursement momentum will continue to further pick-up, backed by the Company's established ability to scale up product offerings in retail by harnessing our digital and analytics strengths. LTFH is well provisioned for any short-term Covid 2.0 led disruptions and remains steadfast in continuing to be of service to its customers, helping finance their livelihoods and aspirations."

About L&T Finance Holdings (LTFH):

LTFH (www.lfhs.com) is one of India's leading Non-Banking Financial Company (NBFC) that offers a range of financial products and services across rural, housing, infrastructure finance and mutual funds, through its wholly owned subsidiaries. L&T Financial Services (LTFS) is the brand name of L&T Finance Holdings and its subsidiaries. Headquartered in Mumbai, LTFH has been rated AAA — the highest credit rating for NBFCs — by four leading rating agencies. Since FY17, LTFS entities have successfully leveraged digital and data analytics to enhance portfolio quality, achieve scale, increase cost efficiency as well as build market leading products offering among the best-in-class turnaround time (TAT), in service of our consumers. L&T Financial Services has been certified as a constituent company in the FTSE4Good Index Series, for its ESG standards. LTFS was recognised as the 'Socially Aware Corporate of the Year' in the Business Standard Social Excellence Awards 2019 and was awarded FICCI's Corporate Social Responsibility Award for "Women Empowerment" for Digital Sakhi, its flagship CSR program.

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