

Press Release

Tuesday, July 19, 2022, Mumbai

L&T Finance Holdings announces financial results for the quarter ended June 30,2022

Pivoting towards a 'customer friendly' fintech @ scale organization

Making steady start towards Lakshya 2026, Q1FY23 PAT up by 47% YoY

- **PBT at Rs. 357 Cr, up 50% YoY and PAT at Rs. 262 Cr, up 47% YoY**
- **Accelerated retailisation momentum powered by Fintech @ scale:** Maintained strong business momentum backed by digitization and leveraging power of data in addition to inherent business strengths;
 - **Highest-ever quarterly retail disbursements at ~Rs. 8,938 Cr, up 10% QoQ and 148% YoY** – Strong disbursement momentum surpassing Q4FY22
 - **Retail portfolio mix at 54%** (up from 45% in Q1FY22); increase in retail book by **6% QoQ** and **19% YoY** – in line with Lakshya 2026 strategic plan
 - Normalized collections rhythm with robust performance across businesses
 - **Powering up with Digital technology and new products to support future growth:** Continued scale-up of end-to-end digital products Disbursements of **Rs. 1,010 Cr** in Consumer Loans, up by **26% QoQ**; Steady uptick in **SME Loans** - Pilot launched in Q3FY22 and book size of Rs. 126 Cr till Q1FY23
- **Continued performance on business levers:**
 - Achieved **highest-ever NIM + Fees of 8.23% in Q1FY23**, up 71bps YoY
 - Lowest-ever WAC at 7.27%, even in a phase of increasing interest rate regime
 - **GS3 at 4.08% in Q1FY23; PCR at 55%; NS3 at 1.87%. Adequate additional provisions of Rs. 1,450 Cr (1.73% of standard assets)** over and above GS3 and ECL provisions
- **Poised for medium to long-term growth with:**
 - Strengthened balance sheet - **Capital adequacy** at 23.12% (Tier 1: 19.98%)
 - **D/E ratio at 4.05x** in Q1FY23
- **Rated AAA by CRISIL, ICRA, CARE and India Ratings**

The Board of **L&T Finance Holdings (LTFH) Ltd.**, a leading Non-Banking Financial Company (NBFC), today announced the financial results for the first quarter ended June 30, 2022. 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 Rural Business Finance (erstwhile 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 all its stakeholders.

Commenting on the financial results Mr. Dinanath Dubhashi, Managing Director & CEO, L&T Finance Holdings, said, “LTFH’s results in Q1FY23, apart from highlighting our business strengths

also reflects our continuing focus on our stated strategy of accelerated retailisation. Retail disbursements are at an all-time high. Our retail portfolio mix has reached 54%, and our chosen 'Right to Win' market leading products are on firm ground owing to sustained focus on our business strengths as well as deep integration of data analytics in the decision-making process, while disbursing, servicing and collecting loans, across the customer life cycle. We have disbursed at a monthly run rate of ~ Rs. 1,300 Cr in the Rural Business Loans segment, while hitting new milestones in Consumer Loans and Home Loans.”

Key Highlights:

The Company witnessed continued improvement in disbursements and collections in Q1FY23. LTFH continued to focus on stated business levers of maintaining prudent liquidity, strengthening the balance sheet, following a data analytics-based collections approach, and rigorous adherence to collection led disbursement strategy. This is reflected in the traction in our retail businesses and the pace of retailisation. The Company’s retail portfolio mix now stands at **54%** (up from 45% in Q1FY22), in line with the stated strategic objective. This, coupled with a strengthened balance sheet, stable asset quality and adequate additional provisioning for OTR-related impact in the future (if any), positions the company for solid growth in retail businesses.

A. Fintech @ Scale: LTFH is on its path to becoming a ‘customer’ focused company from a ‘product’ focused one, in line with the Lakshya 2026 plan. During the quarter, the Company continued to emphasize on customer facing applications, with a clear focus on expanding the existing channels and ecosystems, and creating newer channels.

- a. PLANET app** - The launch of the customer facing application – PLANET – which was soft-launched in Q4FY22 has shown encouraging results with close to 2 lakh downloads. The application, which currently provides onboarding and servicing options for customers is available on both Appstore and Playstore.
- b. WhatsApp for Business:** Another key development has been the launch of the WhatsApp channel for Consumer Loan customers. In addition to the already existing WhatsApp Bot functioning as a servicing channel, we have now launched a WhatsApp channel for our partners where customers can apply for loans anywhere between Rs. 50,000 to Rs. 5,00,000 through the application with a TAT of 15 minutes.
- c. Leveraging data analytics for customer retention:** The company is actively working towards monetization of its 7 crores plus customer database including existing and past borrowers, co-borrowers, guarantors, prospects and reference to enhance its cross-sell reach. At present, the 50% of company’s disbursements in Rural Business Finance and 25% in Farmer Finance are driven by cross-sell offers generated by the company. Our Consumer Loans book of Rs. 3,027 Cr has been largely driven by loans to our retail loyalty customer base. In addition to this, based on data analysis, the company is also working on identifying and addressing pockets of currently untapped potential across customer segments and will be launching additional products in the next couple of quarters.

B. Disbursements: In Q1FY23, retail businesses witnessed robust disbursement momentum. Retail Finance saw the **highest ever quarterly disbursement at Rs. 8,938 Cr**, up 10% QoQ and **148% YoY**, with total disbursements in the quarter for focused businesses reaching ~Rs. 10,500 Cr. Retail book grew by **19% YoY**, on the back of highest ever disbursements.

Retail Businesses

a. Rural Business Finance (erstwhile Micro Loans): The Rural Business Finance business, which enables micro-entrepreneurship ecosystems at the grassroots level continued to witness strong momentum in disbursements with monthly run rate reaching levels of ~**Rs. 1,300 Cr** during the quarter (total disbursements at Rs. 3,811 Cr), while the book grew by **27% YoY**. The Company continues to deepen channel presence and further geo-diversification will lead to future growth.

b. Farmer Finance (erstwhile Farm Equipment Finance): The Farm Equipment Finance business showcased robust performance with strong disbursements of **Rs. 1,532 Cr**, up by ~33% QoQ and 13% YoY by focusing on preferred dealer / OEM strategy, enhanced customer service and dominating counter share. The Company maintained its market share while financing ~**33,000** tractors in the quarter, which is the highest ever quarterly disbursement, in terms of number of tractors financed.

c. Urban Finance:

- **Consumer Loans:** LTFH continued to grow its first 'digital native' Consumer Loans business, achieving disbursements of **Rs. 1,010 Cr** in Q1FY23 (up 26% QoQ). Additionally, the business continues to build a significant scale by cross-selling to LTFH's existing as well as to open market customers.
- **Two-Wheeler Finance:** The business saw the highest Q1 disbursements in the quarter (**Rs. 1,517 Cr. in Q1FY23, up 84% YoY**), despite a market slowdown in June. By maintaining a strong focus on customer value and building preferred dealer / OEM relationships to grow market share, the business is delivering on a strategy built around dominating counter share of preferred partners and offering mutual value by leveraging the increased application of data analytics.
- **Retail Housing (Home Loans & LAP):** The Retail Housing Finance business continued to deliver strongly quarter on quarter performance, with disbursements at **Rs. 936 Cr**, led by a significant uptick from our revamped offerings and sourcing through select market channels. Additionally, the interest rate regime has made our offerings comparative to peers, which along with solid DSA relationships is translating into enhanced business growth.

d. Small and Medium Enterprise Loans (SME): In addition to existing products and to further accelerate retailisation, LTFH undertook a pilot launch of SME loans in Q3FY22, with end-to-end digital journey and use of analytics to deliver value-added proposition for customers and channels. During the pilot, the business recorded a steady uptick with disbursements of **Rs. 130 Cr** till Q1FY23 and is now ready for a scale up.

Retail businesses established as a sustainable proposition with market leading# positions in businesses:

- Ranked No. 1 in Farm Equipment Finance
- Amongst Top 5 in Two-Wheeler Finance
- Ranked No. 4 in Rural Business Finance & Micro Finance

Wholesale Businesses

a. Infrastructure Finance: During the quarter, continuing with the stated strategy of the asset-light model, the disbursements stood at ~**Rs.1,400 Cr**, with focus on refinancing opportunities for operational projects in core sectors – roads and renewable energy.

b. Real Estate Finance (RE): This quarter too, disbursements were only towards project completion, in line with our Lakshya 2026 strategy.

C. Collections: LTFH witnessed normalized collection efficiency (CE) in Q1FY23, across businesses, with retail businesses reporting steady state pre-covid collection volumes. This was led by the Company's concerted on-field efforts, analytics led prioritization and use of propensity-based data analytics to channelize resources.

Retail Businesses: The portfolio focus continued towards boosting 0 DPD collections and managing early bucket delinquencies.

a. Rural Business Finance: Regular CE maintained at ~99.6% in Q1FY23 (vs. 90% in Q1FY22) with continuous improvement in On Due Date collections on account of consistent on-ground efforts and management of early bucket delinquencies.

b. Farmer Finance: Crossed CD CE of 90% in Q1FY23, despite the cyclical effect seen in this segment. Best ever April and May CD CE with efforts concentrated around on-ground collections.

c. Urban Finance:

- **Two-Wheeler Finance:** Maintained better than industry regular CE at 98.7%, restricting flow forward in delinquent bucket. Reduction in bounce rates owing to concentrated call centre / analytics driven pre-delinquency management efforts.
- **Consumer Loans:** Maintaining portfolio performance with regular CE at ~ 99.2% during the quarter with focus on arresting early delinquencies.
- **Home Loans/LAP:** Regular CE continued to be over 99% owing to strong focus on reducing bounces and call centre retention to control roll forwards.

Wholesale Businesses: Collections in the wholesale portfolio continued as per plan, with YoY reduction in wholesale book by Rs. 5,868 Cr

a. Infrastructure Finance: Timely repayments as well as pre-payments resulted in prepayment volumes of Rs.1,613 Cr in Q1FY23 and reduction in the book by Rs. 3,304 Cr on YoY basis. Our focus will be on maintaining our strong position in renewables and roads, while maintaining an asset light model.

b. Real Estate Finance: The Real Estate Finance book, in line with business objectives, registered a significant reduction of Rs. 2,563 Cr in the last 12 months, on the back of continued focus on project completion and rigorous monitoring along with resolutions.

D. Liability Management: With the overall rise in market interest rates, the Company continued the policy of locking-in adequate long-term borrowings at lower rates with the intent of remaining well-protected from expected liquidity tightening and potential rate increase in interest rates in the coming quarters.

- Lowest ever quarterly WAC at **7.27%**. Reduction by **37 bps YoY** and **7 bps QoQ**

- Raised incremental long-term funding of **Rs. 1,135 Cr** (of which, PSL funding is Rs. 635 Cr) in Q1FY23
- NIM + Fees up at 8.23 % (up 71 bps YoY), on back of highest quarterly retail disbursements

LTFH and all its lending subsidiaries have long-term ratings of 'AAA' (Stable Outlook) by all four credit rating agencies: LTFH and LTF rated by CRISIL (Mar-22), CARE (Sep-21), India Ratings (Apr-22) and ICRA (Aug-21). LTICL rated by CRISIL (Mar-22), CARE (Sep-21) and ICRA (Sep-21).

D. Balance Sheet Strength: At the end of the quarter, GS3 in absolute terms stood at **Rs. 3,559 Cr**. Reduction in overall GS3 to **4.08%** in Q1FY23 on EAD basis from 6.67% in Q1FY22 with NS3 at 1.87% and PCR at **55%**.

Rs. Cr*	Q1FY22	Q4FY22	Q1FY23
Gross Stage 3	5,796	3,543	3,559
Net Stage 3	1,879	1,678	1,591
Gross Stage 3 %	6.67%	4.08%	4.08%
Net Stage 3 %	2.26%	1.98%	1.87%

As a prudent measure, LTFH continues to carry additional provisions of **Rs. 1,450 Cr** (Macro, enhanced and OTR provisions) corresponding to **1.73%** of standard book in addition to GS3 provisions and ECL on standard assets. This is to counter OTR-related impact in future (if any), on account of Covid 2.0. With the existing collection momentum in OTR pool, the Company remains confident that current provisions will be sufficient to counter any future stresses related to OTR accounts. Overall capital adequacy was **23.12%** (Tier 1: 19.98%) and D/E stood at 4.05x in Q1FY23.

E. Asset Mix: Retail assets contributed to 54% of portfolio mix in Q1FY23 as against 45% in Q1FY22. The retail book saw a growth of **19% YoY** and the **Focused Book stood at Rs. 87,589 Cr** in Q1FY23.

Rs. Cr	Q1FY22	Q4FY22	Q1FY23	Book Growth QoQ %
Retail Businesses	40,096	45,084	47,794	6%
Wholesale Businesses	45,663	41,731	39,795	-5%
Total Focused Book	85,758	86,815	87,589	1%
Defocused	2,682	1,526	489	-68%
Total Lending Book	88,440	88,341	88,078	0%

The 6% QoQ growth in retail book is well in line with the Company's Lakshya 2026 target of 25% retail CAGR.

In the Investment Management business, the overall average AUM stood at **Rs. 71,571 Cr** as of Q1FY23, mirroring the fall in the broader market during the quarter.

F. ESG/CSR Initiatives:

ESG: Building a Collective Sustainable Future - LTFH is committed to its ESG responsibilities and accepts that it is the only way to be a sustainable organization as well as create value for its stakeholders. LTFH launched its **First Integrated Report** during the quarter. With 22 sustainability targets adopted in FY23, the Company follows reporting of all 'essential indicators' under BRSR, 1 year in advance of applicability.

CSR: The Company's CSR outreach extended to 250+ villages across the country in Q1FY23 along with reaching out to 2,17,000+ community members for creating awareness on financial literacy and the importance of Covid-19 vaccination. LTFH also entered into a partnership with Access Livelihoods Foundation to kickstart the Company's flagship CSR project - Digital Sakhi project in Karnataka and Kerala, this quarter.

G. Financial Performance Summary: Uptick in financial performance in Q1FY23 led by ongoing realisation strategy plan powered by fintech @ scale:

- **Highest-ever quarterly retail disbursements** at Rs. 8,938 Cr, up 10% QoQ
- Retail portfolio mix at 54% (up from 45% in Q1FY22) with over 19% YoY increase in retail book
- **Increase in NIM+ Fees** to 8.23% (up 71bps YoY) on the back of highest quarterly retail disbursements
- **Increase in PAT** to Rs. 262 Cr, up 47% YoY
- **Lowest ever WAC at 7.27%** with reduction in quarterly WAC by 37 bps YoY
- GS3 at 4.08% in Q1FY23; PCR at 55%; NS3 at 1.87%. Significant YoY asset quality improvement across businesses

Mr. Dubhashi further added, "Over the past five years, LTFH has been able to attain market-leading positions in Rural Businesses by embedding data and analytics-based business rule engines within our customer offerings, which has served us well during the pandemic. The Company is now focused and is confident of building the same value proposition for our urban businesses, based on our strong digital and analytical abilities, allowing us to identify and address customer needs across the customer lifecycle through our product offerings.

The continued upswing in existing products and increased traction in new products bodes well in our journey to become a top-class, retail finance company with over 80% retail book by 2026. As we move forward on this path, the other four growth initiatives of cross-sell and up-sell to our existing good customers, geo expansion, digital and channel extension and launch of new products will play an increasingly larger role. We are confident that, from here on, our sharp 'customer first' approach will be evident in all our initiatives."

#Leadership ranking source: CRISIL

*Effective Q1FY23, Asset Quality numbers are based on EAD. Past comparative numbers have also been restated from Principal basis to EAD basis for comparison

About L&T Finance Holdings (LTFH):

LTFH (www.ltfh.com) is one of India's leading Non-Banking Financial Company (NBFC) that offers a range of financial products and services through its wholly owned subsidiaries. L&T Financial Services (LTFS) is the brand name of L&T Finance Holdings Limited and its subsidiaries. Headquartered in Mumbai, LTFH has been rated AAA — the highest credit rating for NBFCs — by four leading rating agencies. L&T Financial Services has been certified as a constituent company in the FTSE4Good Index Series, for its ESG standards. LTFS was awarded FICCI's Corporate Social Responsibility Award for "Women Empowerment" for Digital

Sakhi, its flagship CSR program. The Company announced its commitment to achieve Water Neutrality by FY23 and has achieved the same. The company has also announced its commitment to achieve Carbon Neutrality by FY35



For further information, please contact:

L&T Financial Services

Mona Kwatra, Sporshita Goswami

monakwatra@lfs.com,

sporshitagoswami@lfs.com

Ph: +91 98202 10441 / +91 9920883234

Ketchum Sampark

Girish Dikey, Khushal Devera

girish.dikey@ketchumsampark.com,

khushal.devera@ketchumsampark.com

Ph: +91 98922 00260, +91 98196 66376