

Press Release

Thursday, October 20, 2022, Mumbai

L&T Finance Holdings Ltd. (LTFH) announces financial results for the quarter ended September 30, 2022

Highest ever Quarterly Retail disbursements; Retail Book crosses Rs. 50,000 Cr milestone; Q2FY23 PAT up by 81% YoY

**Powering up with Digital technology
Marching steadily towards achieving Lakshya 2026**

- **PAT at Rs. 406 Cr, up 81% YoY**
- **Accelerated retailisation momentum:** Maintained strong business growth in line with Lakshya 2026 strategic plan:
 - **Highest-ever quarterly retail disbursements at Rs. 10,238 Cr, up 15% QoQ and 84% YoY**
 - **Retail portfolio mix at 58%** (up from 47% in Q2FY22)
 - **Retail Book stands at Rs. 52,040 Cr, up 9% QoQ and 27% YoY** – in line with Lakshya 2026 strategic plan
 - Best in class collections 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. 1,328 Cr** in Consumer Loans, up by **32% QoQ**; Steady uptick in **SME Loans** with quarterly disbursements crossing Rs. 200 Cr in Q2FY23 (portfolio size - Rs. 321 Cr). Pilot was launched in Q3FY22
- **Continued performance on business levers:**
 - **NIM + Fees at 8.43%** in **Q2FY23**, up **85 bps YoY**
 - Quarterly WAC at **7.33%**, down by 20 bps YoY, even in a phase of increasing interest rate regime
 - **GS3 at 4.02%** in **Q2FY23**; **NS3 at 1.85%** with **PCR of 55%**
 - Impact of OTR in unsecured loans business largely over
 - **Adequate additional provisions of Rs. 1,096 Cr (1.28% of standard assets)** over and above GS3 and ECL provisions
- **Poised for medium to long-term growth with:**
 - **Capital adequacy** at 22.65% (Tier 1: 19.85%)
 - **D/E ratio at 4.18x** in Q2FY23
- Received no objection from SEBI for divestment of the Mutual Fund business. Transaction expected to be completed by Q3FY23
- **Rated 'AAA' by CRISIL, ICRA, CARE and India Ratings**

The Board of **LTFH**, a leading Non-Banking Financial Company (NBFC), today announced the financial results for the second quarter ended September 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). 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 Q2FY23 showcase our steadfast commitment towards accelerated retailisation, in line with our strategic plan Lakshya 2026. Retail disbursements are at an all time high, even surpassing the highest ever retail disbursements registered last quarter. Our retail portfolio mix has reached 58%, up from 47% in Q2FY22, aided by the steady growth witnessed across business segments. Driven by data analytics-led business rule engines, we saw robust disbursements in our chosen ‘Right to Win’ market leading retail products, with two of them registering highest ever disbursements during the quarter, namely Rural Business Finance and Two-Wheeler Finance. Our sustained focus on our business strengths as well as deep integration of data analytics in the decision-making process across the customer lifecycle helped us hit new milestones in our Home Loan segment while scaling up Consumer and SME Loans”

Key Highlights:

The Company witnessed a strong business momentum with improvement in disbursements and collections in Q2FY23. 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 strongly reflected in the business volumes registered in our retail businesses and the accelerated pace of retailisation. The Company’s retail portfolio mix now stands at **58%** (up from 54% in Q1FY23 and 47% in Q2FY22), in line with our Lakshya 2026 strategic plan. This, coupled with a strengthened balance sheet, stable asset quality, impact of OTR on our unsecured loan portfolio being largely over and adequate additional provisioning, positions the Company for solid growth in retail businesses.

A. Disbursements: In Q2FY23, retail businesses continued to witness a robust disbursement momentum with **highest ever quarterly disbursements at Rs.10,238 Cr**, up **15% QoQ** and **84% YoY**. Retail Finance book grew by **27% YoY**, on the back of highest ever quarterly disbursements, surpassing Q1FY23 levels

Retail Businesses

a. Rural Business Finance (including erstwhile Micro Loans): This business, which enables sustainable livelihoods at the grassroot level continued its trend of strong business momentum in disbursements and recorded the highest ever quarterly disbursements of **Rs. 4,418 Cr** during the quarter, with the book growing by **40% YoY**. The Company continued its expansion into newer geographies and deepening its presence in existing markets. Going forward the Company expects to sustain the momentum by further launching new products under the business segment, in line with the Lakshya 2026 strategy

b. Farmer Finance: The business showcased steady performance with disbursements of **Rs. 1,304 Cr**, up by **14% YoY**, by focusing on preferred dealer / OEM strategy, enhanced customer service, improved customer retention and dominating counter share. The Company is focused on increasing volumes and gaining market share with higher contributions from the existing borrower segment

c. Urban Finance:

○ **Consumer Loans:** LTFH continued to grow its first 'digital native' Consumer Loans business, achieving a monthly run-rate of over Rs. 400+ Cr during the quarter (total disbursements of **Rs. 1,328 Cr** in Q2FY23, up **32% QoQ**). The Company increased its customer funnel through new channels namely, new partnerships with e-aggregators and insta loans offerings to potential customers. 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 ever quarterly disbursements at **Rs. 1,721 Cr, up 38% YoY**. Our market share increased in the quarter led by the *Sabse Khas loan* and *Income proof loan offerings* along with continued focus on deepening geo-presence. 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 segment witnessed an excellent growth momentum with disbursements reaching **Rs. 1,118 Cr, up 19% QoQ**. We remain focused on enhancing disbursement volumes through strategic measures like deepening geographic presence, solid DSA partnerships & increasing customer retention through pro-active & improved service proposition

d. Small and Medium Enterprise Loans (SME): Our latest offering, whose pilot was launched in Q3FY22 witnessed a steady uptick in Q2FY23 with quarterly disbursements crossing Rs. 200 Cr and the portfolio size reaching Rs. 321 Cr, led by significant geographical and channel expansion. This segment, with the use of analytics will deliver value-added proposition for our customers and channels while contributing towards accelerated retailisation of the loan portfolio

Wholesale Businesses

a. Infrastructure Finance: During the quarter, the business continued with its stated asset-light model strategy, albeit with a reduced capital allocation and focused primarily on tranche disbursements

b. Real Estate Finance (RE): In line with our Lakshya strategy, no new sanctions were made during the quarter and focus remained only on project completion.

B. Collections: LTFH witnessed best in class collections in Q2FY23, across retail businesses, led by the Company's concerted on-field efforts, analytics led prioritization and use of propensity-based data analytics to channelize resources. Total collections across Retail Businesses stood at **Rs. 7,587 Cr** in **Q2FY23**, up **17% YoY**

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

- a. **Rural Business Finance:** Regular CE maintained at ~99.7% in Q2FY23 with continuous improvement in On Due Date collections on account of consistent on-ground efforts and management of early bucket delinquencies
- b. **Farmer Finance:** Best ever Q2 CDCE, achieving more than 91% on MoM basis, despite the cyclical effect seen in this segment
- c. **Urban Finance:**
 - o **Two-Wheeler Finance:** Collection efficiency maintained at ~99% through focus on digital collections, enhanced resolutions through call center and on-field resources
 - o **Consumer Loans:** Maintaining portfolio performance with regular CE at ~ 99%, with focus on arresting early delinquencies
 - o **Home Loans/LAP:** Collection performance continued to be over 99% through strengthened on-field support and use of data analytics

Wholesale Businesses: Collections in the wholesale portfolio continued as per plan, with **YoY reduction** in wholesale book by **Rs. 5,935 Cr.** Higher Real Estate collections were registered during the quarter on account of increase in project monitoring and resolutions (Principal repayment / pre-payments of Rs 852 Cr)

C. Fintech @ Scale: In line with the strategic plan Lakshya 2026 unveiled in FY22, LTFH continued on its path to becoming a 'customer' focused company from a 'product' focused one. 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** – Our customer facing application – PLANET – which was soft-launched in Q4FY22 has shown a steady uptick with close to 7 lakh downloads (up from ~2 lakh downloads till Q1FY23). While the application was limited to onboarding and servicing customers till Q1FY23, we achieved disbursements of more than Rs. 126 Cr in Q2FY23 while servicing more than 7.5 lakh customers. The application is available on both Appstore and Playstore and the Company expects to continue scaling it in coming quarters to make it a full fledged and reimagined customer engagement engine
- b. **WhatsApp for Business:** The WhatsApp channel for Consumer Loan customers launched in Q1FY23 (in addition to the already existing WhatsApp Bot functioning as a servicing channel) continued to witness traction in Q2FY23 with disbursements of ~Rs. 4 Cr. We expect it to scale up in the coming quarters in our bid to enhance D2C proposition by providing instant Consumer Loan journey to our customers
- c. **Leveraging data analytics for customer retention:** The Company continued on the path of actively working towards leveraging its 7 crores plus database developed over the course of its business to enhance its cross-sell reach. At present, 47% of the Company's disbursements in Rural Business Finance and 28% in Farmer Finance are driven by cross-sell offers generated by the Company. Our Consumer Loans book of Rs. 3,979 Cr was 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.

D. Liability Management: With the change in interest rate trajectory through successive rate hikes in overall market interest rates in FY23 so far, the Company continued its approach of locking-in adequate medium to long-term borrowings which helped us control the impact of successive policy rate hikes on our cost of borrowing in Q2FY23

- Quarterly WAC at **7.33%**, up by **6bps QoQ**, though lower by **20bps YoY**
- Continued to tap long term funds at attractive rates. Raised long term funding of Rs. 8,256 Cr in Q2FY23 vs. Rs.1,135 Cr in Q1FY23 and Rs. 5,030 Cr in Q2FY22
- NIM + Fees up at 8.43 % (up 85 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 (latest reviewed in Sep-22), CARE (Sep-22), ICRA (Aug-22) and India Ratings (Apr-22). LTICL rated by CRISIL (Sep-22), CARE (Sep-22) and ICRA (Aug-22).

E. Balance Sheet Strength: GS3 in absolute terms stood at **Rs. 3,591 Cr** with overall GS3 reducing YoY to **4.02%** in Q2FY23 on EAD basis from 6.48% in Q2FY22 with NS3 at **1.85%** and PCR at **55%**

Rs. Cr	Q2FY22	Q1FY23	Q2FY23
Gross Stage 3	5,534	3,559	3,591
Net Stage 3	2,398	1,591	1,615
Gross Stage 3 %	6.48%	4.08%	4.02%
Net Stage 3 %	2.92%	1.87%	1.85%

F. Asset Mix: Retail assets contributed to **58%** of the portfolio mix in Q2FY23 as against 47% in Q2FY22. The retail book saw a growth of **27% YoY** and the **Total Book stood at Rs. 90,098 Cr** in Q2FY23.

Rs. Cr	Q2FY22	Q1FY23	Q2FY23	Book Growth QoQ %
Retail Businesses	40,934	47,794	52,040	9%
Wholesale Businesses	43,532	39,795	37,597	-6%
Total Focused Book	84,466	87,589	89,637	2%
Defocused	2,470	489	461	-6%
Total Book	86,936	88,078	90,098	2%

In the Investment Management business, the overall average AUM for Q2FY23 stood at **Rs. 71,703 Cr.**

Unlocking value from the Mutual Fund Divestment

The Company received no objection from SEBI to divest its Mutual Fund Business in the month of October : The divestment of Mutual Fund business is in line with the strategic objective of LTFH of unlocking value from its subsidiaries to strengthen its balance sheet

G. ESG/CSR Initiatives:

- **ESG:** LTFH progressed in its ESG commitments and achieved the following:
 - Electric Vehicle (EV) financing jumped **100%** with 8500 EVs financed
 - **Helped** avoid 6.60 Lakh+ tCO₂e emissions through renewable financing in Q2FY23
 - Signed the **WASH Pledge and demonstrated its** commitment to Human Rights
 - Village outreach increased by 73% (410 villages)
 - Received prestigious awards in Q2FY23. Recipient of the Mahatma Award under the category “Reporting & Transparency”
- **CSR:** Apart from expanding the Digital Sakhi programme to Karnataka and Kerala, the CSR outreach of the Company encompassed:
 - Creating financial literacy awareness programmes for **5,19,000+** community members
 - Increased green cover through **Project Prakruti (1,00,000+** saplings planted)

H. Financial Performance Summary:

Continued delivery of Retailisation strategy plan, powered by Fintech@Scale:

- Retail portfolio mix at **58%** (up from 47% in Q2FY22) with over 27% YoY increase in retail book
- **Highest-ever quarterly retail disbursements at Rs. 10,238 Cr**, up 15% QoQ and **84% YoY**
- Growth in **NIM+ Fees** to 8.43% (up 85bps YoY)
- **Increase in PAT** to Rs.406 Cr, up 81% YoY
- Reduction in GS3 to **4.02%** in **Q2FY23** with **NS3 at 1.85%** and **PCR at 55%**

*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.lfhs.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

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