

Press Release

Friday, April 28, 2023, Mumbai

L&T Finance Holdings Ltd. records Profit After Tax (PAT) of Rs. 1,623 crore (Consol.) in FY23, up 52% (Year-on-Year) YoY and Rs. 501 crore in Q4FY23, up 46% YoY

- **Retail portfolio mix now stands at 75% of the total loan book; well poised to achieve Lakshya 2026 goals ahead of time**
- **Highest annual retail disbursements at Rs. 42,065 crore driven by strong growth across all retail segments**
- **Accelerated reduction in wholesale book by 54% YoY to Rs. 19,840 crore**
- **Lowest ever Yearly Weighted Average Cost (WAC) of borrowing at 7.46%, down 4 bps compared with FY22, in an environment of rising interest rates**
- **PLANET app crosses 3 million downloads; Powering up with digital technology towards becoming a Fintech@Scale**

Update on Lakshya 2026 goals at the end of FY23:

	Retailisation	Retail growth	Retail asset quality	Retail Return on Assets (RoA)
Lakshya 2026 goals	>80%	>25% Compound Annual Growth Rate (CAGR)	Gross Stage 3 (GS3) <3% Net Stage 3 (NS3) <1%	2.8% - 3%
Year 0* – FY22	51%	10% YoY	GS3: 3.82% NS3: 1.14%	Q4FY22: 2.58% FY22: 1.66%
Year 1 – FY23	75%	35% YoY	GS3: 3.41% NS3: 0.71%	Q4FY23: 2.95% FY23: 2.46%

*Lakshya plan was launched in April 2022. Year 0 refers to the financial year 2021-22.

Retail Performance:

- FY23 Retail **PAT at Rs. 1,384 crore, up 87% YoY**; Q4FY23 Retail PAT at Rs. 472 crore, up 20% QoQ and 58% YoY, due to strong Net Interest Margins (NIMs) + Fees (11.54% for FY23 and 11.87% for Q4FY23)
- Retail **RoA** at 2.46% in FY23 and at 2.95% in Q4FY23

- **Retail portfolio mix at 75%** in Q4FY23 compared with 51% in Q4FY22
- **Highest ever annual Retail disbursements** at Rs. 42,065 crore, up 69% YoY
- **Retail book size crossed Rs. 61,000 crore (Rs. 61,053 crore in Q4FY23, up 35% YoY)**
- **Q4FY23 Retail NIMs + Fees at 11.87%**, up 15 basis points (bps) YoY due to strong growth in retail disbursements
- Retail **Return on Equity (RoE)** at 16.32% for Q4FY23 and 13.80% for FY23
- **Improved Retail Asset Quality with GS3 at 3.41% and NS3 at 0.71%** with provision coverage ratio of 80%

Consolidated Performance:

- **FY23 PAT at Rs. 1,623 crore, up 52% YoY; Q4FY23 PAT at Rs. 501 crore, up 10% QoQ and up 46% YoY**
- **Strong Balance Sheet with a Capital Adequacy Ratio of 24.52%** (Tier 1: 22.10%) in FY23 and adequate liquidity buffers in place
- **Average Debt/Equity ratio stood at 3.97x as on March 31, 2023**
- Prudent asset liability management along with changing portfolio mix towards retail resulted in reduction in annual **WAC by 4 bps to 7.46% in FY23** compared with 7.50% in FY22. This reduction has been achieved in spite of a rising interest rate environment. The Company maintained adequate liquidity despite large inflows from prepayments and sell-downs in the wholesale book
- **Rated 'AAA' by CRISIL, ICRA, CARE and India Ratings**

The Board of **L&T Finance Holdings Ltd. (LTFH)**, one of the leading Non-Banking Financial Companies (NBFCs) in India today announced the financial results for the fourth quarter and the financial year ended March 31, 2023. Under Lakshya 2026, the Company is accelerating its journey towards becoming a top-class, digitally-enabled and customer-focused retail financier.

LTFH is amongst the leading financial institutions offering Farm Equipment Finance, Rural Business Finance, Two-Wheeler Finance, Consumer Loans, Housing Finance as well as SME Loans. With a sustainable business model, data analytics-led collection and disbursements, a customer-centric approach and a sharp focus on asset quality, the Company remains committed to building a stable and sustainable organisation for all its stakeholders.

Commenting on the financial results, **Mr. Dinanath Dubhashi, Managing Director & CEO, L&T Finance Holdings Ltd.** said, "FY23 marks the first year of our four-year strategic plan - Lakshya 2026 and we are happy to announce that our retailisation now stands at 75%, which is almost nearing the greater than 80% retailisation goal of Lakshya envisaged for FY26. This achievement has been on account of a strong YoY growth of 35% in retail book with best-in-class asset quality and a decisive 54% reduction in the wholesale book. The strategic initiatives that were undertaken during the year has helped the Company in accelerating the fulfillment of the plan. Going forward, we will sustain our momentum towards creating a customer-focused and sustainable Fintech@Scale. The Company will

continue to offer retail products which encircle the entire customer ecosystem, creating a bespoke cross-sell and up-sell franchise and optimum distribution strategy.”

Key Highlights:

A. Robust Retail disbursements & book

LTFH is expected to achieve its Lakshya 2026 goals, well before time. In FY23, the retail book witnessed a strong growth and crossed the Rs. 61,000 crore milestone (up 35% YoY). This has led to a 75% retailisation of the total lending book. The Company saw healthy disbursements on the back of strong collections which led to consistent book growth across retail businesses.

- **Rural Business Finance** disbursements recorded a YoY growth of 70% in FY23. The business also recorded the highest ever monthly disbursement of Rs. 1,596 crore in March 2023, aided by focus on repeat customer conversion and green channel disbursals
- **Farmer Finance** disbursements saw a YoY growth of 25% in FY23. The business witnessed the best ever Q4 disbursement (up ~35% on YoY basis) and achieved an important milestone of financing more than 1 lakh new tractors in a fiscal year for the first time
- **Two-Wheeler Finance** witnessed the highest ever Q4 disbursements at Rs. 1,727 crore with a 25% increase in comparison with Q4FY22. The Company continues to focus on building robust network of dealerships through new initiatives
- **Consumer Loans** continued to scale-up with Rs. 4,886 crore disbursements in FY23 compared with Rs. 2,254 crore in FY22 (up 117% YoY). Continued partnership with various e-aggregators and seamless tech integration has made LTFH the partner of choice
- **Housing Loans and Loans Against Property** showed sustained growth momentum in FY23 with 97% increase in disbursements YoY. In FY23, the business crossed Rs. 500 crore monthly disbursal milestone
- **SME Loans** also registered robust growth where disbursements crossed Rs. 1,000 crore milestone in FY23. This vertical recorded the highest ever monthly disbursement of Rs. 274 crore in March 23
- Maintained strong collection efficiency across Retail businesses through enhanced on-ground efforts and data analytics-based resource allocation

B. Accelerated Reduction of the Wholesale portfolio

The wholesale book saw an accelerated reduction of 54% YoY to Rs. 19,840 crore driven mainly by re/pre-payments and refinancing.

C. Moving to a Single Lending Entity

LTFH has also initiated the merger of its subsidiaries - L&T Finance Ltd., L&T Infra Credit Ltd. and L&T Mutual Fund Trustee Ltd. with itself i.e., the non-lending, equity-listed, holding company. This strategic initiative was undertaken with the intent of having the 'Right Structure' in place. The proposed merger has been progressing well and LTFH expects the completion of the merger during the current financial year, subject to regulatory approvals.

D. Building a Fintech@Scale

LTFH continues to cross-sell and up-sell to its large database of more than 2 crore customers by leveraging technology and use of data analytics to unleash the untapped potential for business. The ability of the Company to deliver industry-leading collection efficiencies and Turn-Around-Time (TAT) across retail products are visible results of adopting a Fintech@Scale approach. The Company envisages dominating the customer mind space by creating a digital marketplace.

Our customer facing application - PLANET app, which was soft launched in Q4FY22, is a key component towards building autonomous journeys. It is built on the foundation of reimagining customer engagement by creating an augmented Direct 2 Customer (D2C) channel. The app serves as a geo-agnostic sourcing, collections and servicing channel with customer-centric features. The app also provides multiple other features like farm advisory, education courses, utility payments, income expense tracker, etc. In FY23, this channel did collections of more than Rs. 240 crore and serviced more than over 45 lakh requests. The app has reached out to more than 2.8 lakh rural customers and has already crossed 3 million downloads till date. Also, till date the app has done a business in excess of Rs. 1,600 crore (including website).

The Company also revamped its website to better reflect the renewed structure of the Company along with ensuring a seamless experience for its customers.

E. ESG and CSR initiatives

The Company has been at the forefront when it comes to its ESG initiatives. LTFH continued its progress and commitment towards sustainable growth, the efforts of which have been recognised in the following manner:

- CDP rating upgraded from 'D' to 'B'
- LTFH recognised as "ESG Champions of India 2023" in Dun & Bradstreet exclusive report
- Acknowledged in the "List of Entities making a positive impact on environment" by SABERA

Under its CSR initiatives, LTFH has taken the following initiatives:

- Under Project Prakruti, 140 acres of land was brought under horticulture plantation by planting 50,000+ saplings
- New Women Entrepreneurs identified and imparted training on "Entrepreneurship Development Programme (EDP)"
- Water replenished by providing timely training to Water User Groups in 122 villages

About L&T Finance Holdings (LTFH):

L&T Finance Holdings Limited (LTFH) (<https://www.ltfh.com>), a leading Non-Banking Financial Company (NBFC), offers a range of financial products and services through its subsidiary L&T Finance Ltd. (LTF) under the L&T Finance brand. Headquartered in Mumbai, the Company has been rated AAA — the highest credit rating for NBFCs — by four leading rating agencies. It has also received leadership scores and ratings by global and national Environmental, Social and Governance (ESG) rating providers for its sustainability performance. The Company has also won many prestigious awards for its flagship CSR project – “Digital Sakhi” which is focused on women empowerment and digital and financial inclusion. Under Right to Win, being in the ‘right businesses’ has helped the Company become one of the leading financiers in key retail products. The Company is focused on creating a top-class, digitally-enabled, retail finance Company as part of the Lakshya 2026 plan. The goal is to move the emphasis from product focus to customer focus and establish a robust retail portfolio with quality assets, thus creating a Fintech@Scale while keeping ESG at the core. Fintech @Scale is one of the pillars of the Company’s strategic roadmap - Lakshya 2026. The Company has a database of over 2 crore customers, which is being leveraged to cross-sell, up-sell as well as identify new customers.

