

Press Release

Wednesday, July 19, 2023, Mumbai

L&T Finance Holdings Ltd. records Q1FY24 Profit After Tax (PAT) of Rs. 531 crore (Consol.) up 103% YoY

Achieves Lakshya 2026 goal of over 80 percent retailisation much ahead of time;
PLANET app crosses 44 lakh downloads

- **Retail portfolio mix now stands at 82% of the total loan book; achieved Lakshya 2026 goal of greater than 80% retailisation almost three years in advance**
- **Robust Q1FY24 retail disbursements at Rs. 11,193 crore, up 25% YoY driven by strong growth across all retail segments coupled with top-notch digital and data analytics**
- **Accelerated reduction in the wholesale book by 65% YoY, a reduction of Rs. 25,992 crore in line with Lakshya 2026 gaining momentum towards becoming a top-notch, retail finance company**
- **PLANET app crosses 44 lakh downloads; powering up with digital technology towards becoming a Fintech@Scale**
- **Progressing well on the proposed merger of entities leading to a 'single entity structure'**

Update on Lakshya 2026 goals at the end of Q1FY24:

	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 Retail	51%	10% YoY	GS3 3.82% NS3 1.14%	Q4 2.58% FY 1.66%
Year 1 – FY23 Retail	75%	35% YoY	GS3 3.41% NS3 0.71%	Q4 2.95% FY 2.46%
Year 2 – Q1FY24	82%	34% YoY	GS3: 3.21% NS3: 0.70%	Q1FY24: 3.08%

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

Retail Performance:

- **Q1FY24 Retail PAT at Rs. 533 crore, up 176% YoY**, on the back of steady Net Interest Margins (NIMs) + Fees (11.71% in Q1FY24 vs. 11.57% in Q1FY23) and reduction in credit cost (2.78% in Q1FY24 vs. 5.03% in Q1FY23)
- **Retail portfolio mix** at 82% in Q1FY24 compared with 54% in Q1FY23 and 75% in Q4FY23
- **Strong quarterly Retail disbursements** at Rs. 11,193 crore, up 25% in Q1FY24 from Rs. 8,938 crore in Q1FY23
- **Retail book size** at Rs. 64,274 crore, up 34% in Q1FY24 from Rs. 47,794 crore in Q1FY23
- **Improved Retail Asset Quality** with GS3 at 3.21% and NS3 at 0.70% with provision coverage ratio of 79%
- Retail **RoA** crossed the Lakshya FY26 target of 3.0% and reached 3.08% in Q1FY24
- Retail **Return on Equity (RoE)** at 15.67% for Q1FY24 up 676 bps YoY

Consolidated Performance:

- PAT stood at Rs. 531 crore, up 103% in Q1FY24 from Rs. 262 crore in Q1FY23
- **Strong Balance Sheet with a Capital Adequacy Ratio of 25.75% (Tier 1: 23.42%)** in Q1FY24 and adequate liquidity buffers in place
- **Declared highest final dividend till date** of Rs. 2 per equity share (face value of Rs. 10 per share) for FY23
- **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 first quarter ended June 30, 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 Loans, Rural Group Loans & Micro Finance, Two-Wheeler Loans, Consumer Loans, Home Loans & Loan Against Property 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, "It gives me immense pleasure to announce that we have achieved Retailisation of 82% in Q1FY24 itself, much ahead of Lakshya 2026 goal of greater than 80% Retailisation. In fact, we have been able to achieve most of our Lakshya 2026 goals almost 3 years in advance. This achievement is attributed to the twin strategy of strongly growing the retail asset book on one side and ensuring a sharp reduction in the wholesale book on the other, while maintaining best-in-class asset quality. On the fintech front, our customer facing application PLANET has crossed 44 lakh downloads as on date and is constantly evolving to offer exciting features to our customers, while servicing most of their requirements. Going forward, we will sustain our growth momentum and continue to work towards creating a customer-focused and sustainable Fintech@Scale. The Company will continue to develop digital finance delivery as a customer value proposition thereby touching every part of the customer ecosystem through our digital offerings."

Key Highlights:**A. Robust Retail Franchise**

The Company's granular and deep pan India retail franchise is led by its marquee distribution capabilities namely, its geographic presence in around 2,00,000 villages from 1,700 plus rural branches and over 150 branches across urban centers, servicing over 89 lakh active customers. This extensive geographic presence is also supported by 9,500 plus channel relationships built over a decade. The Company also leverages its 2.1 crore plus customer database to drive a credible cross-sell franchise, contributing to 34% of the company's disbursements.

B. Healthy Retail disbursements and book

The retail portfolio mix now stands at 82% of the total loan book with strong retail disbursement of Rs. 11,193 crore (up 25% YoY) and retail book at Rs. 64,274 crore (up 34% YoY).

- **Rural Group Loans & Micro Finance** registered its highest ever quarterly disbursements at Rs. 4,511 crore, recording a YoY growth of 18 percent in Q1FY24. The business was aided by deepened geo-presence in under-penetrated markets, stronger customer retention with healthy share of vintage borrowers. A pilot of Rural Loan Against Property (Rural LAP), the latest offering under the Rural Business Finance umbrella, was also initiated in Madurai, Tamil Nadu.
- **Farm Equipment Finance** disbursements saw a YoY growth of 15% in Q1FY24 standing at Rs. 1,757 crore. The business witnessed growth on the back of improved on- field productivity and enhanced customer retention through Kisan Suvidha top-up and Refinance.
- **Two-Wheeler Finance** witnessed disbursements at Rs. 1,726 crore with a 14% increase in comparison with Q1FY23. The Company continues to focus on collections led disbursements while building a robust network of dealerships through new initiatives. The business also witnessed the launch of two new products, Centum and VIP Pro to cater to better credit profile customer segment.
- **Consumer Loans** continued to scale up while protecting portfolio quality with Rs. 1,162 crore disbursements in Q1FY24 compared with Rs. 1,010 crore in Q1FY23 (up 15% YoY).
- **Housing Loans and Loans Against Property** showed sustained growth momentum in Q1FY24 with a 39% increase in disbursements YoY at Rs. 1,299 crore.
- **SME Loans** also registered robust growth with disbursements at Rs. 607 crore in Q1FY24 as against a disbursement of Rs. 68 crore in Q1FY23. During the quarter, the business crossed overall disbursements of Rs. 2,000 crore since inception on the back of increased geographical presence and concerted efforts towards digitization and channel expansion.
- Maintained strong collection efficiency across retail businesses through enhanced on-ground efforts, digital initiatives and data analytics-based resource allocation

C. Accelerated Reduction of the Wholesale portfolio

The Wholesale book saw an accelerated and steep reduction of 65% YoY i.e., a reduction of Rs, 25,992 crore YoY, while registering a reduction of Rs.5,548 crore in Q1FY24 itself. This is in line with the Lakshya strategy of strongly growing the retail book while sharply reducing Wholesale.

D. Moving to a Single Lending Entity

In the fourth quarter of FY23, LTFH had 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 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 the creditors and /or shareholders meeting to be convened, pursuant to the directions of NCLT takes LTFH a step closer to creating a single lending entity.

E. Building a Fintech@Scale

LTFH is developing digital finance delivery as a customer value proposition. The Company is focused on touching every part of the customer ecosystem and has a customer focused digital first approach in not only urban but also in rural. The Company offers 100% paperless journey in Rural Group Loans and Micro Finance, Two-wheeler Finance, Farm Equipment Finance and Consumer Loans and digitally disbursed 100% of the loans in urban and rural areas during the quarter. The Company continues to cross-sell and up-sell to its large data base of more than 2.1 crore customers by leveraging technology and using data analytics. The ability of the company to deliver industry-leading collection efficiencies and Turn-Around-Time across retail products are visible results of adopting a Fintech@Scale approach.

Our customer facing application - PLANET app, which was soft launched in Q4FY22 has emerged as a powerful digital channel for our customers. 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 Mandi Prices, Insurance Marketplace, Credit Score, etc. The app has already crossed 44 lakh downloads till date, which also comprises of more than 4.3 lakh downloads by our rural customers. As on date this channel has done collections of more than Rs. 360 crore while servicing more than 67 lakh requests and sourcing loans of more than Rs. 3,000 crore (including web).

F. ESG and CSR initiatives

When it comes to ESG and CSR, the Company has been at the forefront. The following are the key developments during the quarter:

- Release of the first Integrated Annual Report (IAR) FY23 assured by independent third-party assurance provider
- Voluntary assurance of Business Responsibility and Sustainability Reporting (BRSR) by independent third-party assurance provider
- Retained the constituent of FTSE4GoodIndex series
- 7,477 electric vehicles financed in Q1FY24
- Received ISO 20000-1:2018 (Service Management System or IT Service Management System) Certification
- Digital Sakhi project launched in Madurai and Tamil Nadu with an aim to create digital and financial literacy amongst 5,00,000 plus community members

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. Our focus on doing 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 2.1 crore customers, which is being leveraged to cross-sell, up-sell as well as identify new customers.

