

Press Release

Friday, January 21, 2022, Mumbai

L&T Finance Holdings announces financial results for the quarter ended December 31, 2021

- **PBT at Rs. 452 Cr, up 29% YoY & 41% QoQ. PAT at Rs. 326 Cr, up 12% YoY & 46% QoQ**
- Maintained strong business momentum backed by inherent business strengths; **accelerated retailisation momentum**
 - **All-time high retail quarterly disbursements of ~Rs. 7,600 Cr, up 29% YoY**
 - **Retail portfolio mix at 50%** (up from 40% in Q3FY21); increase in retail book QoQ by 4%
 - **Rural business now the largest lending segment** (38% of lending book); showcasing **12% YoY growth**
 - Normalized collections rhythm with robust performance across businesses
 - **New products launched to support future growth:** Continued scale-up of Consumer Loan business: Rs. 650 Cr disbursed in Q3FY22, **Small and Medium Business Loans launched** in Q3FY22 with end-to-end digital journey
- **Continued performance on business levers:**
 - Achieved **NIM+Fees of 8.10% in Q3FY22** vs 7.58% in Q2FY22
 - **Lowest ever WAC at 7.47%**; Reduction in quarterly WAC by 35 bps YoY and well protected from liquidity tightening and increase in interest rates
 - GS3 at 5.91% in Q3FY22; PCR at 50%; NS3 at 3.03%. **Adequate additional provisions of Rs. 1,699 Cr (2.19% of standard assets)** over and above these
- **Poised for medium to long-term growth with:**
 - Strengthened balance sheet - **Capital adequacy** improved to **24.1%** (Tier 1: 20.3%)
 - **D/E ratio at 4.2** in Q3FY22
- **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 third quarter, ended December 31, 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 all its stakeholders.

Commenting on the financial results Mr. Dinanath Dubhashi, Managing Director & CEO, L&T Finance Holdings, said, “The financial results of this quarter, apart from highlighting our business strengths, also underline a milestone achievement for our retailisation journey. The period saw businesses returning to pre-Covid levels despite industry degrowth during the festive season. In our retail businesses of Farm and Two-Wheeler finance, we maintained business momentum as a leading

retail financier with a stable market share owing to our digital & data analytics capabilities. Our Micro Loans business volumes have normalized over Rs. 1000 Cr/ month and we continue to gain traction in Consumer Loans and Home Loans.”

Key Highlights:

The Company witnessed strong improvement in disbursements and collections in Q3FY22. 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 strengthened balance sheet, with adequate additional provisioning for OTR-related impact in future (if any), on account of Covid 2.0. The Company’s retail portfolio mix now stands at 50% (up from 40% in Q3FY21), in line with the Company’s stated strategic objective.

A. Disbursement: The inherent business strengths of LTFH helped the Company remain one of the leading retail financiers during the industry contraction phase of Farm Equipment and Two-Wheeler Financing. The retail book grew 4% QoQ, on the back of highest ever Q3 disbursements, supported by strong growth in Two-Wheeler Finance, Micro Loans and Consumer Loan businesses. Total disbursements in the quarter for focused retail businesses stood at Rs. 7,606 Cr, up 29% YoY.

To further accelerate retailisation and support future growth, the Company has also undertaken a pilot launch of Small & Medium business loans during the quarter, with end-to-end digital journey and use of analytics to deliver value added proposition for customers & channels.

Rural Finance: The portfolio became the largest lending segment in LTFH, comprising 38% of lending book, surpassing Wholesale for the first time this quarter. The business achieved highest ever Q3 disbursements at Rs. 6,935 Cr

- a. Farm Equipment Finance:** The Company showcased relatively strong performance, despite industry slowdown, by working on preferred dealer / OEM strategy and maintained its market share. Increased focus on lending to existing customers, which constituted 20% of quarterly disbursements, also contributed to the performance.
- b. Two-Wheeler Finance:** Business strategy built around dominating counter shares of preferred partners and increasing application of data analytics helped deliver strong performance despite muted festive season. LTFH is working towards increasing finance penetration by working on additional products for financially prudent customers, which will act as a growth driver in this segment.
- c. Micro Loans:** Healthy volumes in disbursements during the quarter was driven by normalization of collections and better than industry asset quality. Disbursements in the quarter stood at **Rs. 3,157 Cr**, which are in line with pre-Covid levels. The Company continues to deepen the channel presence and further geo-diversification will lead to future growth.
- d. Consumer Loans:** LTFH’s first ‘digital native’ business continued to witness strong traction with continued focus on existing customers with disbursements of **Rs. 650 Cr** in Q3FY22. The business now plans to tap non-captive customers, targeted towards responsible end-use ecosystem, to fuel future growth.

Housing Finance:

- a. **Home Loan (HL) / LAP:** HL business witnessed steady volumes in the salaried segment and disbursements to SENP segment, with revamped offerings, were reinitiated in the quarter. The salaried home loan book was up 12% YoY and 6% QoQ.
- b. **Real Estate Finance (RE):** The disbursement volumes were in line with business focus, clearly aimed at completion of existing projects.

Infrastructure Finance: Q3FY22 disbursements were at Rs. 1,758 Cr, up 31% QoQ. The business continues to focus on refinancing opportunities for operational projects in core sectors –roads and renewable energy, where it is one of the leading players.

- B. Collections:** Collection Efficiencies (CE), having returned to pre-Covid level in the previous quarter, stabilized or further improved in Q3FY22. This was led by our strengths in on-ground collections and use of propensity-based data analytics to channelize resources. Total Q3FY22 collections from focused book stood at Rs. 13,037 Cr

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

- a. **Farm Equipment Finance:** Concerted on-ground collection resulted in regular CE at 91.3%, well above industry performance.
- b. **Two-Wheeler Finance:** Maintained better than industry regular CE at 98.3%, restricting flow forward in delinquent bucket. Reduction in bounce rates was owing to concentrated call centre / analytics driven pre-delinquency management efforts.
- c. **Micro Loans:** Regular CE maintained at 99.3% through consistent on-ground efforts & management of early bucket delinquencies.
- d. **Consumer Loans:** Maintaining superior portfolio performance at 99.6% regular CE.

Housing Finance:

- a. **Home Loan / LAP:** Regular CE stabilized at 99.3% through centralized strategy & call center retention to control roll forwards. Focused on increased resolution percentage in higher buckets.
- b. **Real Estate Finance:** Principal repayment/ pre-payment in Q3FY22 saw 153% growth vis a vis quarterly average of FY21 on back of continued focus on project completion and rigorous monitoring. Principal repayment/ pre-payment of Rs. 3,148 Cr in past 12 months has led to reduction in overall RE portfolio.

Infrastructure Finance: Continued to see strong collections in the portfolio through contracted repayments as well pre-payments, attesting to strong portfolio quality.

C. Liability Management: During the quarter, the Company continued to lock-in adequate long-term borrowings at lower interest rate with the intent of remaining well-protected from expected liquidity tightening and increase in interest rates in the coming quarters.

- Quarterly WAC at 7.47%, at lowest ever. Reduction by 35 bps YoY and 6 bps QoQ
- Focused on raising low-cost, long-term borrowing through NCD (private placement) and PSL
- Raised 86% of incremental borrowing through this route since Q1FY21
- Raised Rs. 2,090 Cr of long-term borrowing in Q3FY22 at a WAC of sub 6%
- NIMs & Fees up at 8.10% (up 71 bps YoY), through increased retail momentum
- As of December 2021, maintained Rs. 13,481 Cr of liquid funds in the form of cash, FDs and other liquid investment

During FY22, the long-term ratings of LTFH and all its lending subsidiaries have been reaffirmed at 'AAA' (Stable Outlook) by all four credit rating agencies: CRISIL (May-21), CARE (Sep-21), India Ratings (Apr-21) & ICRA (Sep-21).

D. Balance Sheet Strength: At the end of the quarter, GS3 in absolute terms stood at Rs. 4,866 Cr remaining almost stable on QoQ basis. In percentage terms, the GS3 and NS3 assets of the Company stood at 5.91% and 3.03% respectively with PCR on Stage 3 assets at 50%.

<i>Rs. Cr</i>	Q3FY21	Q2FY22	Q3FY22
Gross Stage 3	4,935	4,796	4,866
Net Stage 3	1,791	2,281	2,419
Gross Stage 3 %	5.12	5.74	5.91
Net Stage 3 %	1.92	2.81	3.03

In addition to PCR on GS3 assets, the Company continues to carry additional provisions of Rs. 1,699 Cr (corresponding to 2.19% of standard assets). Minimal utilization of additional provisions for retail business was undertaken in this quarter. With the robust collection momentum in existing OTR pool, the Company remains confident that existing provisions will be sufficient to counter any moratorium related stress on account of OTR-related impact in future (if any), on account of Covid 2.0. Overall capital adequacy improved to 24.1% (Tier 1: 20.3%) and D/E stood at 4.2 in Q3FY22.

The Company has entered into a definitive agreement with HSBC Asset Management (India) Private Limited ("HSBC AMC") on December 23, 2021 to sell 100% equity shares of L&T Investment Management Limited ("LTIM"), a wholly owned subsidiary of the Company, which is the investment manager of L&T Mutual Fund, for an aggregate purchase consideration of USD 425 million (subject to adjustments as set out in the definitive agreement). In addition, the Company will also be entitled to surplus cash balance left in LTIM in excess of regulatory and investment capital requirements until the completion of the acquisition.

Cash, cash equivalents and liquid investments in the books of LTIM as on December 31, 2021, is Rs. 731 Cr. The said transaction is subject to the requisite regulatory approvals. Accordingly, as required by Ind AS 105, LTIM has been presented in the aforesaid financial results as “Non-Current Assets held for sale and discontinued operations”.

- E. Asset Mix:** Retail assets (Rural + Retail Housing) contributed to 50% of portfolio mix in Q3FY22 as against 40% in Q3FY21. The Rural book saw a growth of 5% QoQ and the **Focused Book stood at Rs. 83,390 Cr** in Q3FY22.

Rs. Cr	Q3FY21	Q3FY22	Book Growth YoY %	Book Growth QoQ %
Rural Finance	28,828	32,166	12	5
Retail Housing	11,334	10,420	-8	0
Total Retail Finance	40,162	42,602	6	4
Real Estate Finance	14,841	11,603	-22	-5
Infrastructure Finance	41,456	29,185	-30	-7
Total Focused Book	96,459	83,390	-14	-1
Defocused	3,640	2,162	-41	-12
Total Lending Book	1,00,099	85,552	-15	-2

In the Investment Management business, the overall average AUM stood at Rs. 77,095 Cr as of Q3FY22. Pure Equity & Hybrid mix for LTFH stands at 61% of the AUM as against 48% for the industry.

- F. Financial Performance:** Strong financial performance in Q3FY22 was a result of analytics led prioritization and resource allocation:
- **Increase in fee and other income** to Rs. 389 Cr, up 12% YoY and 28% QoQ
 - **Reduction in quarterly WAC** to 7.47%, down 35 bps YoY and 6 bps QoQ
 - **Increase in NIM+Fees** to 8.10%, up 71 bps YoY and 52 bps QoQ
 - **Reduction in credit costs** to Rs. 702 Cr, down 31% YoY and 10% QoQ
 - **Increase in PBT** to Rs. 452 Cr, up 29% YoY and 41% QoQ
 - **Increase in PAT** to Rs. 326 Cr, up 12% YoY and 46% QoQ

Mr. Dubhashi further added, “We will continue to augment our retail growth engine by leveraging an end-to-end digital platform and direct to consumer journeys, while adding new businesses as well as cross sell and upsell to “good credit’ customers. We believe that our drivers of growth - retailisation, strong digital & analytical abilities, a customer focused approach and a sustainable growth through ESG will position us in good stead for enabling customer aspirations & fulfilling their financing needs.”

About L&T Finance Holdings (LTFH):

LTFH (www.lfs.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 has announced its commitment to achieve Water Neutrality by FY22 and Carbon Neutrality by FY35.

**For further information, please contact:**

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