

Press Release

Friday, January 13, 2023, Mumbai

L&T Finance Holdings Ltd. records PAT of Rs. 454 crore for Q3FY23, growth of 39% YoY

- **Retail portfolio mix now stands at 64% of the total loan book**
- **Highest ever quarterly retail disbursements** - in line with Lakshya 2026; gaining momentum towards becoming a customer-focused, retail finance company
- 'Single large lending entity' - Proposed merger of its subsidiary lending entities: L&T Finance Ltd. and L&T Infra Credit Ltd. with itself, i.e., the non-lending, equity-listed holding company - L&T Finance Holdings Ltd.
- Powering up with digital technology towards becoming a **Fintech@Scale**

Key performance highlights:

- **Profit After Tax (PAT) at Rs. 454 crore, up 39% YoY** (Year-on-Year)
- **Retail PAT at Rs. 394 crore, up 76% YoY**, supported by strong Retail Return on Assets (RoA), reaching 2.6% in Q3FY23
- **Retail Return on Equity (RoE) at 14.97%** during the quarter
- **Retail portfolio mix at 64%** compared to 58% in the quarter ended September 30, 2022
- **Retail book at Rs. 57,000 crore, up 34% YoY**; led by key products - Rural Business Finance, Farm Equipment Finance and Two- Wheeler Finance
- **Retail disbursements at Rs. 11,607 crore, up 53% YoY** and up 13% QoQ (Quarter-on-Quarter)
- **Net Interest Margin (NIM) + Fees at 8.80%**, up 70 basis points (bps) YoY due to changing portfolio mix towards retail. Retail NIM+Fees reached 11.38% in Q3FY23, up 25 bps YoY
- **Gross Stage 3 (GS3) stood at 4.21%** - Rs. 3,723 crore as on December 31, 2022, down by 248 bps compared with 6.69% - Rs. 5,623 crore as on December 31, 2021
- **Net Stage 3 (NS3) at 1.72%** - Rs. 1,487 crore as on December 31, 2022, down by 145 bps compared with 3.17% - Rs. 2,565 crore as on December 31, 2021
- **Improved Retail Asset Quality with GS3 at 3.47%** (down 38 bps YoY) and **NS3 at 0.73%** (down 45 bps YoY)
- **Capital adequacy ratio at 23.49%** (Tier 1: 20.61%; Tier 2: 2.88%); adequate liquidity buffers in place
- **Strategic initiatives for achieving Lakshya 2026 remain on track:**
 - **Concluded divestment of the mutual fund business** and received sale consideration of **Rs. 3,485 crore** along with surplus cash balance **Rs. 764 crore**, thereby aggregating to **Rs. 4,249 crore**
 - **Consequent to change in business model in order to enable Accelerated sell-down of Wholesale book, a One-time provision of Rs. 2,687 crore** has been made during the quarter

- **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) that is scaling up on its journey towards becoming a customer-focused, retail financier, today announced the financial results for the third quarter ended December 31, 2022.

LTFH is amongst the leading financial institutions in Farm Equipment Finance, Two-Wheeler Finance, as well as Rural Business Finance (including Micro Loans). With a sustainable business model, data analytics-led collection and disbursements, a customer-centric approach along with 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, "We are progressing well on our journey towards Lakshya 2026 to become a top class, 'digitally-enabled', 'customer-focused', retail finance company. Our results in Q3FY23 not only highlight our robust business strengths, but also reflect our continued focus on accelerated retailisation, with the retail portfolio mix reaching 64%. On the strategic initiatives front, we have recently concluded the sale of our mutual fund business and are progressing well on our retailisation journey consisting of two major pillars, namely 'Strong Retail Growth' and 'Accelerated sell-down of Wholesale portfolio'. We have also created adequate provisions to support the accelerated sell-down process. With a view to further strengthen the Fintech franchise, the Company continued to emphasize on digitisation, data analytics and customer-facing applications, with a clear focus on expanding the existing channels and ecosystems, and creating newer channels. Our application PLANET has recently crossed 17 lakh downloads. All these developments show that we are moving in the right direction to achieve our Lakshya 2026 goals and sustainably create value for all our stakeholders."

Moving to a 'Single large lending entity':

LTFH, after divestment of the mutual fund business, has proposed merger of its subsidiary lending entities - L&T Finance Ltd. and L&T Infra Credit Ltd. with itself i.e., the non-lending, equity-listed, holding company. This will result in a simple, unified structure. This strategic initiative is in line with the intent of having the 'Right Structure' leading to optimal utilisation of capital and effective utilisation of management bandwidth. This merger would be subject to necessary statutory/regulatory approvals.

Retailisation in line with Lakshya 2026:

LTFH is well on track to achieve its Lakshya 2026 goals. The Company has divested its mutual fund business and to further support retailisation, has accelerated the sell-down of its Wholesale book. The Company has witnessed robust business growth during the quarter:

- Rural Business Finance has witnessed strong disbursements of Rs. 4,281 crore through various strategic initiatives during the quarter
- Achieved highest-ever quarterly disbursements in two-wheeler finance on the back of increased festive demand

- Continued scale-up of digitally native Consumer Loans business (Rs. 1,228 crore disbursements in Q3FY23 compared with Rs. 650 crore in Q3FY22); partnered with various e-aggregators; seamless tech integration has made LTFH the partner of choice
- Sustained growth momentum witnessed in Housing Loans and Loan against Property; disbursements up by 83% YoY
- Strong growth in SME Loans (portfolio size at Rs. 838 crore as on Q3FY23)
- Maintained strong collection efficiency across retail businesses through enhanced on-ground efforts and data analytics-based resource allocation
- Focus on Accelerated sell-down of the Wholesale book; portfolio reduced to Rs. 31,010 crore from Rs. 40,788 crore, down 24% YoY

	Q3FY23 (in Rs. Crore)	Change (in %) YoY	Q2FY23 (in Rs. Crore)	Change (in %) QoQ
Retail Businesses	57,000	up 34	52,040	up 10
Wholesale Businesses	31,010	down 24	37,597	down 18

Building 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. LTFH continues to emphasize on the importance of digital technology to cross-sell for enhanced customer retention by leveraging data, digital channel expansion, and dominating the customer mind space by creating a digital marketplace.

- **PLANET App:** Our customer-facing application – PLANET- which was soft launched in Q4FY22 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. Till Q3FY23, the app has witnessed over 17 lakh downloads and done business in excess of Rs. 970 crore (including website), collections of more than Rs. 117 crore, and servicing of over 23 lakh requests.
- **Leveraging Digital and Data Analytics for customer retention:** The Company continues to leverage its wide customer database built over the years including co-borrowers, prospects, and references to unleash the untapped potential for business. This is seen through the traction created through repeat disbursements in rural business finance, Kisan Suvidha loans to existing farm equipment customers, and our digitally native Consumer Loans to our existing customers. In addition, the Consumer Loans business has partnered with 100 plus fintech players, offering seamless tech integration to customers.

ESG/CSR initiatives focused on Lakshya 2026:

- CDP rating upgraded from 'D' to 'B'
- Retained MSCI 'A' rating for last four consecutive years
- Instituted Diversity and Inclusion program

About L&T Finance Holdings (LTFH):

LTFH (<https://www.ltfh.com>), a leading Non-Banking Financial Company (NBFC), offers a range of financial products and services through its wholly-owned subsidiaries. L&T Financial Services (LTFH) is the brand name of L&T Finance Holdings Limited and its subsidiaries. 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 was awarded FICCI's Corporate Social Responsibility Award for "Women Empowerment" and "Maharashtra CSR Award" for its flagship Digital Sakhi project.

Under Right to Win, being in the right businesses has helped the Company reach leadership positions in key retail products. LTFH 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 over 7 crore customer database, and this database is being leveraged to cross-sell, up-sell as well as identify new customers.

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