

Press Release

Friday, October 20, 2023, Mumbai

L&T Finance Holdings Ltd. records Q2FY24 Profit After Tax (PAT) of Rs. 595 crore (Consol.) up 46% Year-on-Year (YoY)

*Metamorphosing into a Fintech@Scale by achieving Lakshya 2026 goals ahead of time
PLANET app crosses 60 lakh downloads*

- **Achieved highest ever quarterly Retail disbursements at Rs. 13,499 crore, up 32% YoY** driven by a robust business model, strong growth across all retail segments coupled with top-notch digital and data analytics
- **Retail portfolio mix now stands at 88% of the total loan book; continued to outperform the Lakshya 2026 goal of achieving greater than 80% Retailisation**
- **Continued with the accelerated reduction in the Wholesale book** with a steep reduction of **76% YoY**, which translates to a reduction of Rs. 28,740 crore in line with Lakshya 2026 strategy of gaining momentum towards becoming a top-notch, retail finance company
- **PLANET app crossed 60 lakh downloads; powering up with digital technology towards becoming a Fintech@Scale**
- **Obtained NCLT approvals for the proposed merger of entities; a step closer to creating a single lending entity**

Update on Lakshya 2026 goals at the end of Q2FY24:

	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%
Year 2 – Q2FY24	88%	33% YoY	GS3: 3.05% NS3 0.67%	Q2FY24: 3.32%

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

Retail Performance for Q2FY24

- **Q2FY24 Retail PAT at Rs. 606 crore, up 86% YoY**, on the back of strong Net Interest Margins (NIMs) + Fees (12.16% in Q2FY24 vs. 11.33% in Q2FY23) and reduction in credit cost (2.74% in Q2FY24 vs. 3.46% in Q2FY23)

- **Highest ever quarterly Retail disbursements** at Rs. 13,499 crore, up 32% YoY vs. Rs. 10,238 crore in Q2FY23
- **Retail book size** up 33% YoY at Rs. 69,417 crore vs. Rs. 52,040 crore in Q2FY23
- **Retail portfolio mix** at 88% in Q2FY24 compared with 82% in Q1FY24 and 58% in Q2FY23
- **Improved Retail Asset Quality** with GS3 at 3.05% and NS3 at 0.67% with a provision coverage ratio of 79%
- Retail **RoA** at 3.32%, continued to outperform against the Lakshya FY26 target.
- Retail **Return on Equity (RoE)** at 16.31%

Consolidated Performance:

- PAT stood at Rs. 595 crore, up 46% YoY in Q2FY24 from Rs. 406 crore in Q2FY23
- NIMs up by 11% YoY at Rs. 1,729 crore in Q2FY24 vs. Rs. 1,563 crore in Q2FY23
- Credit Cost down by 10% YoY at Rs. 517 crore in Q2FY24 vs. Rs. 575 crore in Q2FY23
- **Strong Balance Sheet with a Capital Adequacy Ratio of 25.16% (Tier 1: 22.99%)** in Q2FY24 and adequate liquidity buffers in place
- **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 second quarter ended September 30, 2023. Under Lakshya 2026, the Company is accelerating its journey toward becoming a top-class, digitally-enabled, and customer-focused Retail financier.

LTFH is amongst the leading financial institutions offering Rural Group Loans & Micro Finance, Farm Equipment Loans, Two-Wheeler Loans, Personal 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, "After having achieved most of our Lakshya 2026 goals, it gives me immense pleasure to announce that we have continued the trajectory of metamorphosing into a top-notch Retail finance Company. During the quarter, LTFH not only reached a retail portfolio mix of 88%, but also achieved the highest ever quarterly Retail disbursements of Rs. 13,499 crore, registering a growth of 32% YoY. 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 60 lakh downloads as of date and is constantly evolving to offer exciting features to our customers, while servicing most of their requirements.

Going forward, we will continue to focus on sustainably delivering Lakshya goals through a concentrated focus on 5 key pillars, namely enhanced customer acquisition, sharpening credit underwriting, implementing futuristic digital architecture, heightened brand visibility and capability building. At LTFH, we strongly believe that the Retail segment holds promising opportunities, and we

will continue to grow and ride this growth by scaling up our product portfolio, customer touchpoints, capability enhancements, and use of data analytics in doing business. 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 meeting centers/branches and over 150 branches across urban centers, servicing over 90 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 2.2 crore plus customer database to drive a credible cross-sell and up-sell franchise, with up-sell contributing to 38% of the Company’s quarterly disbursements.

B. Healthy Retail disbursements and book

The Retail portfolio mix now stands at 88% of the total loan book with strong Retail disbursement of Rs. 13,499 crore (up 32% YoY) and Retail book at Rs. 69,417 crore (up 33% YoY).

- **Rural Group Loans & Micro Finance** registered its highest ever quarterly disbursements during Q2FY24 at Rs. 5,740 crore, recording a YoY growth of 30%. This growth was aided by a strong disbursal run rate of over Rs. 1,900 crore, in the month of July and August 2023, coupled with an optimized geographic mix which saw increased contribution from southern states. Additionally, there was a focus on strengthening customer retention with a substantial share of vintage borrowers that also encouraged growth for the segment. As for the book, it saw a growth of 37% YoY and stood at Rs. 21,672 crore vs. Rs. 15,840 crore in Q2FY23.
- **Farm Equipment Finance** disbursements during Q2FY24 saw a YoY growth of 18% at Rs. 1,534 crore vs. Rs. 1,304 crore in Q2FY23. The business witnessed growth on the back of analytics driven dealer relationships leading to higher counter share with top dealers and focused customer retention through top up products. In addition, a 15% YoY growth in disbursements was registered towards the New Tractor segment coupled with enhanced customer retention through Kisan Suidha, the top-up and refinance product which contributed 25% of disbursements. The book size registered a growth of 13% YoY and stood at Rs. 13,351 crore vs. Rs. 11,865 crore in Q2FY23.
- **Two-Wheeler Finance** disbursements during Q2FY24 saw a YoY growth of 6% at Rs. 1,817 crore vs. Rs. 1,721 crore in Q2FY23. The Company continues to focus on analytics driven dealer relationships while building a robust network of dealerships through new initiatives. During the quarter LTF financed 7,350 Electric Vehicles (EV) and partnered with Ather Energy to finance up to 100% of the loan-to-value on purchase of Two-Wheeler Electric Vehicles (EVs). The book size registered a growth of 18% YoY at Rs. 9,518 crore vs. Rs. 8,093 crore in Q2FY23.

- **Personal Loans** segment continued to scale up while protecting portfolio quality with a disbursement of Rs. 1,308 crore in Q2FY24 (up 13% Quarter-on-Quarter). During the quarter, the book size reached Rs 6481 crore, with the entire focus being put on reimagining journeys while leveraging the existing customer database and scaling up the e-aggregator channel.
- **Home Loans and Loans Against Property (LAP)** disbursements showed sustained growth momentum in Q2FY24 with Home Loan disbursements witnessing a YoY growth of 34% to Rs. 1,356 crore vs. Rs. 1,013 crore in Q2FY23 while LAP disbursements registering disbursement of Rs. 378 crore against Rs. 104 crore in Q2FY23. As for the book size, Home Loan grew by 34% YoY and stood at Rs. 12,216 crore vs. Rs. 9,105 crore whereas for the LAP business it saw a growth of 14% YoY and stood at Rs. 3,038 crore vs. Rs. 2,665 crore in Q2FY23.
- **SME Loans** also registered robust growth with Q2FY24 disbursements at Rs. 872 crore vs. Rs. 201 crore in Q2FY23. During the quarter, the book size reached Rs. 2,413 crore, driven by 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 continued to witness an accelerated and steep reduction. As of Q2FY24, the Wholesale book stood at Rs. 9,318 crore, a reduction of 76% YoY. In absolute terms, the Wholesale book reduced by Rs. 28,740 crore YoY from Rs. 38,058 crore as of Q2FY23. On a sequential basis the Wholesale book saw a reduction of 35% from Rs. 14,292 crore as of Q1FY24. This accelerated reduction of the Wholesale book is in line with our Lakshya 2026 strategy of strongly growing the Retail while sharply reducing Wholesale.

D. 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 not only in urban areas but also in rural areas. LTFH offers 100% paperless journey in Rural Group Loans and Micro Finance, Two-wheeler Finance, Farm Equipment Finance and Personal Loans and has 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 database of more than 2.2 crore customers by leveraging technology and using data analytics. Out of this customer database, the share of up-sell in disbursement stood at 38% thus implying an active customer franchise of over 90 lakh customers with disbursement per up-sell franchise standing at nearly Rs. 86,000/-. Additionally, during Q2FY24 loans were disbursed to more than 6.4 lakh new customers. The ability of the Company to deliver industry-leading collection efficiencies and Turn-Around-Time across Retail products is a visible result 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 60 lakh downloads till date, which also comprises of more than 7.8 lakh downloads by our rural customers. As on date this channel has done collections of more than Rs. 570 crore while servicing more than 93 lakh requests and sourcing loans of more than Rs. 4,100 crore (including web).

E. Moving to a Single Lending Entity

In the fourth quarter of FY23, LTFH 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 proposal has been approved by the NCLT at Mumbai and Kolkata and this takes LTFH closer to creating a single lending entity, subject to remaining regulatory approvals.

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:

- ~433 tCO₂e emission avoided by switching to green power across LTF branches; 95% of LTF branches in Maharashtra operate on green power
- 7,350 Electric Vehicles financed in Q2FY24, in line with our ESG commitments
- **Shramdaan**, towards “**Swachhata Hi Seva**” a cleanliness drive for creating “Garbage Free India” across 650+ locations
- Our flagship **Digital Sakhi project** launched in Gorakhpur (Uttar Pradesh), Supaul (Bihar) and Murshidabad (West Bengal) with an aim to create digital & financial literacy amongst 15,00,000+ community members over the next 4 years. Additionally, another 4,50,000 plus community members outreached under the initiatives across Karnataka, Kerala, West Bengal, Odisha & Tamil Nadu
- 7,750 Relief kits distributed to flood affected people of Punjab, Haryana, and Odisha
- Over 50,000 saplings planted under Project Prakruti across 140 plus acres of land in Tumkur district, Karnataka
- Created Road Safety awareness amongst 6,000 plus school children from municipal schools in Mumbai

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 over 2.2 crore customer database, and this database is being leveraged to cross-sell, up-sell as well as identify new customers.

