Online Portal	Moneycontrol	Edition: NA	Online Coverage
Published Date	**16th May 2023**		
Headline: L&T Finance Holdings merger process expected to be completed in FY24: MD & CEO Dinanath Dubhashi			

L&T Finance Holdings merger process expected to be completed in FY24: MD & CEO Dinanath Dubhashi

https://www.moneycontrol.com/news/business/lt-finance-merger-process-expected-to-be-completed-in-fy24-md-ceo-dinanath-dubhashi-10598411.html

The number of entities within L&T Finance Holdings have come down from 16 in FY17 to nine in FY22. There are now only two lending entities, L&T Finance Limited and L&T Infra Credit Limited, Dubhashi said.

MANISH M. SUVARNA / MAY 16, 2023 / 04:49 PM IST

The merger of L&T Finance Limited, L&T Infra Credit Limited and L&T Mutual Fund Trustee Limited with L&T Finance Holdings Ltd is expected to be completed in the current financial year, Dinanath Dubhashi, Managing Director & CEO, L&T Finance Holdings, told Moneycontrol in an exclusive interview on May 16.

“The merger is expected to be completed this financial year,” Dubhashi said.

He added that the merger would simplify the corporate structure, resulting in greater transparency, operational efficiency, and better utilisation of management bandwidth.

The company has received approval from the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and stock exchanges for the merger. Approval has also been sought from the National Company Law Tribunal (NCLT) benches in Kolkata and Mumbai.

“We have now initiated the NCLT process at Mumbai and Kolkata. On May 11, NCLT Mumbai admitted the application and the NCLT Kolkata application is in process,” Dubhashi said.

The number of entities within L&T Finance Holdings have come down from 16 in FY17 to nine in FY22. There are now only two lending entities, L&T Finance Limited and L&T Infra Credit Limited, Dubhashi added.

On March 24, the RBI indicated it had ‘no objection’ to the scheme, the company said in a regulatory filing.

FY24 outlook

Dubhashi said that the company will continue on its journey towards retailisation and growth at a compound annual growth rate of at least 25 percent.

“With this, we expect retail as a percentage of the overall portfolio to be around 90 percent by FY24, thereby achieving Lakshya 2026 goals ahead of time,” he added. The company’s Lakshya 2026 goals target having retail gross stage 3 assets of less than 3 percent and net stage 3 assets of less than 1 percent.

According to its investor presentation for Q4FY23, the company has completed retailisation of 75 percent in FY23, as compared to 51 percent in FY22.

To achieve higher retailisation, the company decisively reduced its wholesale book from Rs 43,257 crore as of March 2022 to Rs 19,840 crore as of March 2023. This translates into a steep wholesale book reduction of Rs 23,400 crore in FY23, Dubhashi said.

“This reduction has been achieved on the back of repayments and refinancing, mainly in the infrastructure finance portfolio comprising renewable and operating road assets,” Dubhashi added.

He added that reduction was also achieved through refinancing of select projects in the real estate finance portfolio.

The company has seen retail growth of 35 percent on-year.

On the customer facing application PLANET app, Dubhashi said it had helped in collections of over Rs 240 crore in FY23 and serviced over 45 lakh requests. Till date the app has done a business of over Rs 1,600 crore (including website).

Asset quality

The company’s retail asset quality in the reporting quarter ended March improved to 3.41 percent of gross stage 3 assets in FY23, from 3.82 percent in FY22.

Net stage 3 assets stood at 0.71 percent in FY23, against 1.14 percent in FY22.

“Given our accelerated reduction of the wholesale book, consolidated asset quality as a parameter will converge towards retail asset quality. Going forward, we expect further rationalisation and improvement in asset quality,” said Dubhashi.

Will a further pause by the RBI help?

Dubhashi is of the view that a further pause by the RBI in the June monetary policy will help the company’s business.

This is because, with its portfolio mix moving towards retail, the company expects a natural hedge from the reduced cost of funds, thus leading to a Net Interest Margin (NIM) expansion. “Although policy rates have increased by 250 basis points (bps) till now, LTFH’s yearly Weighted Average Cost of funds (WAC) reduced by 4 bps in FY23,” he said.

On a consolidated basis, the net interest margin (NIM) of the company in the fourth quarter of the previous financial year stood at 7.63 percent, as compared to 6.58 percent in the same quarter in the year-ago period.

In wholesale finance, the NIM increased to 2.85 percent in Q4FY23, from 2.81 percent in Q4FY22. However, retail finance recorded a sharp reduction in margin to 9.85 percent in Q4FY23, from 10.26 percent in Q4FY22.

Q4FY23 results

The company reported a net profit of Rs 1,623 crore consolidated in FY23, up 52 percent on year. In Q4FY23, net profit stood at Rs 501 crore, up 46 percent, according to the release issued by the company on April 28.

The year saw the company record its highest annual retail disbursals of Rs 42,065 crore, riding on strong growth across all retail segments.

The company’s Yearly Weighted Average Cost of borrowing stood at 7.46 percent, down 4 bps from FY22, in an environment of rising interest rates.

MANISH M. SUVARNA *is Senior Correspondent at Moneycontrol. He writes on the Indian money markets and the RBI. He tweets at @manishsuvarna15*