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Retail loans to constitute over 90% of L&T Finance Holdings' book by FY24

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Mumbai, October 23

L&T FINANCE HOLDINGS, the holding company of L&T Finance, L&T Infra Credit and L&T Mutual Fund Trustee, will increase the share of retail loans in overall advances to over 90% by the end of current financial year, Group CFO Sachinn Joshi told FE in an interaction.

As of June-end, L&T Finance's overall loan book stood at ₹78,734 crore, of which retail loans accounted for 88%. The non-banking finance company (NBFC) in 2022 had published its vision 2026 plan, wherein it stated that it will increase share of retail loans in its overall loan book to over 80% by 2026 and cut down the share of wholesale loans.

"Since we have already achieved 80% (of retail loans in overall book), we have now revisited that (vision 2026 plan) and said that we should actually go beyond 90%," Joshi said.

He added that out of the NBFC's total wholesale loans of ₹9,255 crore as of June-end, about ₹3,000 crore to ₹4,000 crore will be run

L&T FINANCE HOLDINGS

Intra-day on BSE (₹), Oct 23



- Retail loan book to grow over 30% y-o-y in FY24
- Personal loan defaults mostly happening in lower-ticket size loans
- Awaiting merger approval with 3 subsidiaries from Sebi

down by way of sale to banks and other large lending institutions.

Joshi said that as L&T Finance's retail loans have been growing at the pace of over 25% over the last four-year period and during FY23 it grew at 35% year-on-year, it will

continue to grow its retail loan book at around 30% in the current financial year.

Going ahead, the NBFC has plans to introduce rural loans against property (LAP) and rural business loans that will only be extended towards women entrepreneurs. "We are working on a pilot on the rural LAP. On the farmer side, we have pilot going on the warehouse receipt financing," he said, adding that in urban locations, it will look to expand its ₹6,481 crore personal loan book, small and medium enterprises (SME) loans and home loan segments.

On rising concerns about lenders growing personal loan book, Joshi said pre-dominantly lower-ticket size personal loan of less than ₹50,000 tend to have higher delinquency rates. At L&T Finance, the average ticket size of a personal loan is in the range of ₹100,000-150,000 where the default rates are lower.

"If you actually drill down, you will find that credit cost is much lower at the higher end (large ticket size loan). The challenge is more on

the low tickets where the affordability or ability to pay back is becoming a challenge," he said.

L&T Finance's personal loan collection efficiency has been in the range of 98.3-98.8% during Q2FY24, according to its latest investor presentation.

By the end of current fiscal, L&T Finance's gross and net stage-3 ratio, or bad loan ratio, would fall to below 3% and sustain below 1%, respectively, from 3.05% and 0.67% as of June-end, Joshi said.

However, retail net interest margin (NIM), which stood at 12.16% during Q2, will moderate to 11.75-12% in medium term as the NBFC's lower margin mortgage loan book starts having a bigger base.

Further, the CFO said that LTFH had initiated the merger of its three subsidiaries with itself in Q4FY23 and the proposal has till date received approvals from stock exchanges, National Company Law Tribunal and Reserve Bank of India. He, however, did not share a timeline on when will the merger process be completed as the NBFC is expecting final approval from market regulator Sebi.