

## Financial performance for the quarter ended June 30, 2019

<p><b>PAT stands at Rs. 549 Cr</b></p> <p><b>RoE stands at 15.99%</b></p> <p><b>Gross Stage 3 declined to 5.72% in Q1FY20 from 7.93% in Q1FY19</b></p> <p><b>IL&amp;FS: Rs. 1,696 Cr out of Rs. 1,816 Cr exposure will now be 'Green'</b></p> <p><b>Proactively diversified funding sources through ECB and Retail NCD</b></p>
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**Mumbai, July 19, 2019:** L&T Finance Holdings (LTFH), a leading diversified Non-Banking Financial Company (NBFC), announced its results for the quarter ended June 30, 2019. While Q1FY20 was a tough quarter for the NBFC sector, LTFH with its advantage of strong parentage, robust balance sheet and significant business strengths, was able to deliver results on key parameters.

**Liquidity:** While the liquidity for the sector remained tight, LTFH was able to raise requisite long term and short term funds at competitive rates to meet its growth requirements.

### 1. Robust ALM Framework

- ✓ LTFH maintains positive ALM gaps in all buckets upto 1 year
- ✓ Maintained liquidity of Rs. 13,133 Cr (including Rs. 4,855 Cr in the form of cash, FDs and other liquid instruments)
- ✓ Already in compliance with key features of Draft Liquidity Risk Management Framework for NBFCs and CICs issued by RBI

### 2. Proactively diversified funding sources

- ✓ Raised Rs. 1,000 Cr through retail NCD (in addition to Rs. 1,500 Cr in Q4FY19)
- ✓ Raised USD 275 Mn in Tranche 1 as part of USD 550 Mn ECB issuance programme, led by IFC

**Growth in businesses:** With focus on businesses where it has prominent market share and a clear 'Right to Win', the company continues to build strength in its core lending businesses i.e. Rural Finance, Housing Finance and Infrastructure Finance.

- ✓ Focused lending book saw a growth of 24% in Q1FY20
- ✓ Overall lending book saw a growth of 16% in Q1FY20

	Q1FY19 (Rs. Cr)	Q1FY20 (Rs. Cr)	Book Growth
<b>Focused Lending Businesses</b>			
Rural Finance	19,079	25,845	35%
Housing Finance	20,356	26,033	28%
Infrastructure Finance	33,843	38,623	14%
<b>Total Focused book</b>	<b>73,278</b>	<b>90,500</b>	<b>24%</b>
Defocused Lending Businesses (incl. Structured Finance & DCM)	13,043	9,403	(28%)
<b>Total Lending Book</b>	<b>86,321</b>	<b>99,904</b>	<b>16%</b>

- ✓ Investment Management: Average Assets under Management (AAUM) has increased to Rs.73,497 Cr in Q1FY20 from Rs.71,118 Cr in Q1FY19 – growth of 3%
- ✓ Wealth Management: Assets under Service (AUS) has increased to Rs. 25,589 Cr in Q1FY20 from Rs. 18,866 Cr in Q1FY19 – growth of 36%

In order to concentrate better on businesses where LTFH has 'Right to Win', the Company has de-emphasized Structured Finance and DCM book, where it is a marginal player, and made them part of defocused book.

**Improved Asset Quality:** In line with LTFH's strategy, primary focus remains on portfolio quality and profitability, by consistently strengthening the risk profile. The portfolio quality of LTFH has improved year-on-year with conservative underwriting, robust early-warning signals, and strong project-monitoring metrics. The company has shown a steady reduction in Stage 3 assets, both in absolute and percentage terms.

(Rs. Cr)	Q1FY19	Q4FY19	Q1FY20
Gross Stage 3	6,480	5,549	5,460
Net Stage 3	2,463	2,174	2,287
Gross Stage 3 %	7.93%	5.90%	5.72%
Net Stage 3 %	3.17%	2.40%	2.48%
Provision Coverage %	61.99%	60.83%	58.11%

In addition to the provisions mentioned above, macro-prudential provisions stand at Rs. 350 Cr These provisions are against unanticipated future event risks and are over and above the expected credit losses on GS3 assets and standard asset provisions.

#### **Profitability:**

- ✓ IL&FS: As per the latest resolution plan submitted by IL&FS management, 5 out of 6 SPVs amounting to Rs. 1696 Cr out of Rs. 1816 Cr will now be 'Green'. Consequently, interest income of Rs. 84 Cr that was deferred in Q4FY19 is now being recognised.
- ✓ Exposure to a specific HFC: Considering the recent developments with a Housing Finance Company, LTFH has taken conservative and commercially prudent view to mark down 50% (Rs. 284 Cr) of the total exposure (including principal and accrued interest).

With IL&FS being primarily resolved and adequate provisions made for the exposure to the Housing Finance Company, LTFH believes that both these issues are behind us. Profits for Q1FY20 have been arrived at after considering onetime adjustment for these two matters.

- ✓ The consolidated PAT is Rs. 549 Cr for Q1FY20, up 2% from Rs. 538 Cr in Q1FY19
- ✓ 'NIM + Fees' stands at 6.76% from 6.58% YoY (after normalizing for the impact of IL&FS)
- ✓ Pre-provisioning operating profit (PPOP) stands at Rs. 1342 for Q1FY20, up 24% YoY
- ✓ Retailisation increased to 52% from 46% YoY
- ✓ Maintained market share by leveraging on business strengths

### **Management Commentary:**

Commenting on the financial results Mr. Dinanath Dubhashi, Managing Director & CEO, LTFH, said, “A strong liability franchise, backed by prudent ALM and diverse sources of funding, is key to building a sustainable organization. We remain partners of choice for global financial institutions which is reflected in our recent fund-raising from IFC and other leading global financiers. Our focus on liability management and asset quality helps us to preserve and build strengths in our focused businesses. We continue to invest in footprint expansion, team quality enhancement, technology infrastructure and data analytics framework.”

### **About L&T Finance Holdings:**

LTFH ([www.ltfs.com](http://www.ltfs.com)) is a financial holding company offering a focused range of financial products and services across rural, housing and wholesale finance sectors, as well as mutual fund products and wealth management services, through its wholly-owned subsidiaries, viz., L&T Finance Ltd., L&T Housing Finance Ltd., L&T Infrastructure Finance Company Ltd., L&T Infra Debt Fund Limited, L&T Investment Management Ltd. and L&T Capital Markets Ltd. LTFH is registered with RBI as a CIC-ND-SI[1]. LTFH is promoted by Larsen & Toubro Ltd. (“L&T”) ([www.larsentoubro.com](http://www.larsentoubro.com)), one of the leading companies in India, with interests in engineering, construction, electrical & electronics manufacturing & services, IT and financial services.

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<sup>[1]</sup> Systemically Important Core Investment Company, a classification of Non-Banking Financial Company (NBFC) by RBI