

**Financial performance for the quarter ended September 30, 2019**

**PAT (Pre-DTA impact) at Rs. 647 Cr**  
**RoE (Pre-DTA impact) stands at 18.13%**  
**Assigned AAA rating by CRISIL**  
**Reaffirmation of AAA rating by ICRA, CARE and India Ratings**  
**ECB sanction of USD 100 Mn by AIIB in its first ever loan to an NBFC**

**Mumbai, October 18, 2019:** L&T Finance Holdings (LTFH), a leading diversified Non-Banking Financial Company (NBFC), announced its results for the quarter ended September 30, 2019. With its advantage of robust balance sheet, strengthened risk profile and strong parentage, LTFH was able to deliver results on all key parameters.

**Rating:** LTFH and all its lending subsidiaries have AAA rating assigned/reaffirmed, despite the current environment of multiple downgrades across the sector.

- ✓ CRISIL assigned in October 2019
- ✓ India Ratings reaffirmed in September 2019
- ✓ ICRA reaffirmed in August 2019
- ✓ CARE reaffirmed in August 2019

Strong support and strategic importance to financial services business by the parent, presence across the financial services space and well diversified resource profile are the key rating drivers.

**Liquidity:** While liquidity concerns persisted in the economy, especially in the NBFC sector, 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 up to 1 year
- ✓ Continue to maintain positive gaps even under '1 in 10' stress scenario in 1-month bucket
- ✓ Maintains liquidity of Rs. 11,607 Cr (including Rs. 3,380 Cr in the form of cash, FDs and other liquid instruments)

**2. Proactively diversified funding sources**

- ✓ IFC led ECB of USD 275 Mn (Tranche 1) raised in Q1FY20 and USD 100 Mn (Tranche 2) in Q2FY20
- ✓ Additional ECB sanction of USD 160 Mn in Q2FY20, including USD 100 Mn from Asian Infrastructure Investment Bank (AIIB). This is their first loan to any private sector company or NBFC in India
- ✓ Effectively tapped PSL funding of Rs. 1,425 Cr in Q2FY20, on the back of recent RBI guidelines

**L&T Finance Holdings Limited****Registered Office**

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**Growth in businesses:** The Company continues to build strengths in businesses where it has a clear 'Right to Win'. The scalability of our focused businesses and their profitability, which is key to delivering a sustainable RoE, have been at the core of our overall business strategy. This strategy has helped the Company to become a prominent player in its core lending businesses i.e. Rural Finance, Housing Finance and Infrastructure Finance.

- ✓ Focused lending book saw a growth of 19% in Q2FY20

	Q2FY19 (Rs. Cr)	Q2FY20 (Rs. Cr)	Book Growth (%)
<b>Focused Lending Businesses</b>			
Rural Finance	21,433	26,597	24%
Housing Finance	21,718	26,986	24%
Infrastructure Finance	34,851	39,472	13%
<b>Total Focused book</b>	<b>78,003</b>	<b>93,055</b>	<b>19%</b>
Defocused Lending Businesses	13,198	7,203	(45%)
<b>Total Lending Book</b>	<b>91,201</b>	<b>1,00,258</b>	<b>10%</b>

- ✓ Investment Management: Average Assets under Management (AAUM) has decreased by 6% from Rs. 73,754 Cr in Q2FY19 to Rs. 69,213 Cr in Q2FY20
- ✓ Wealth Management: Assets under Service (AUS) has increased to Rs. 26,309 Cr in Q2FY20 from Rs. 21,065 Cr in Q2FY19 – growth of 25%

**Business realignment with focus on 'Right to Win':** In line with our strategy of growing in businesses where we have or can build a leadership position, we have implemented the following:

- 1. Rapid reduction of Defocused Book:** Strong execution in successfully running down the Defocused book to Rs. 7,203 Cr in Q2FY20 (reduction of 45% YoY and 23% QoQ)
- 2. Sale of Wealth Management Business:** With the recent changes in regulations, consolidation in the industry and considering the fact that the business contributes <1% of LTFH revenue and profitability, the business required a full suite of in-house products and services, necessitating a larger wealth platform. Consequent to this, LTFH has entered into a definitive agreement to sell 100% stake of L&T Capital Markets to IIFL Wealth. The transaction is in process and regulatory approvals are awaited.

**Stable Asset Quality:** In line with LTFH's strategy, the focus remains on portfolio quality and profitability, by consistently strengthening the risk profile. The portfolio quality of LTFH remains stable year-on-year with conservative underwriting, robust early-warning signals, and strong project monitoring metrics.

(Rs. Cr)	Q2FY19	Q2FY20
Gross Stage 3	6,119	5,745
Net Stage 3	2,296	2,632
Gross Stage 3 %	7.10%	5.98%
Net Stage 3 %	2.79%	2.83%
Provision Coverage Ratio (PCR) %	62%	54%

**Update on Tax Amendments:** In Q2FY20, the Government announced the reduction of Corporate Tax Rate (CTR) from 34.94% to 25.17%. Under the new guidelines, corporates that have taken higher provisions and created Deferred Tax Assets (DTA) at 34.94% need to revise the tax rate to 25.17%, leading to a one-time P&L charge of 9.77%. Following this:

- ✓ LTFH is opting for lower CTR of 25.17% leading to lower tax liability from FY20 onwards
- ✓ As a part of its robust risk management framework, over the last 3 years, LTFH has implemented accelerated provisions to enhance PCR
- ✓ Consequently, Q2 FY20 results reflect one time impact of Rs. 473 Cr due to reversal of DTA as on 1<sup>st</sup> April, 2019

**Profitability:** The performance for this quarter has been achieved on the back of effective liability management, strong credit decisioning, maintaining healthy margins and increasing retailisation.

- ✓ The consolidated Pre-DTA PAT is Rs. 647 Cr for Q2FY20, up 15% from Rs. 560 Cr in Q2FY19
- ✓ The Post-DTA one-time adjustments PAT is Rs. 174 Cr for Q2FY20
- ✓ 'NIM + Fees' stands at 6.86% in Q2FY20 versus 6.86% Q2FY19
- ✓ Retailisation increased to 53% in Q2FY20 from 47% Q2FY19
- ✓ The RoE stands at 18.13% in Q2FY20 (Pre-DTA)

**Management Commentary:**

Commenting on the financial results Mr. Dinanath Dubhashi, Managing Director & CEO, LTFH, said, "The inherent strengths of our businesses, robust risk management framework, and strength due to parentage have been reaffirmed by multiple rating agencies by assigning AAA rating. We remain a partner of choice for financiers and continue to diversify our liability mix through reputed domestic and global institutions. Our continued investment in businesses where we have a clear 'Right to Win', has been the bedrock of our strategy, and we remain committed to this plan."

### **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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[1] Systemically Important Core Investment Company, a classification of Non-Banking Financial Company (NBFC) by RBI

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