

Press Release

Thursday, April 29, 2021, Mumbai

L&T Finance Holdings announces financial results for the quarter and financial year ended March 31, 2021

- **Q4 PBT at Rs. 828 Cr, up 135% QoQ and 88% YoY (Rs. 440 Cr in Q4FY20)**
- **PAT before exceptional items at Rs. 428 Cr, up 47% QoQ and 11% YoY**
- **After one-time exceptional items, Q4 PAT at Rs. 267 Cr**
- **Sequential improvement in performance through the year, on QoQ basis:**
 - **All time high quarterly disbursement of Rs. 6,026 Cr in Rural Finance during Q4** (up 36% YoY & 12% QoQ). Significant increase in proportion of Retail book
 - Gained market shares through FY21. Ranked **#1 Farm Equipment Financier & #3 2W Financier**
 - Market leader in **Renewable financing**. Continued robust **sell-down momentum** in Infra space ~ **Rs. 979 Cr** in Q4 FY21 (vs. **Rs. 591 Cr** in Q4 FY20)
 - **33% YoY increase in collections** in focused businesses during FY21, despite lower collections in Q1. Collection Efficiency (CE) reached pre-Covid across businesses
- **Highest quarterly NIMs + Fees in FY21 at 8.17% in Q4**, led by a strong growth in Rural. FY21 NIMs+Fee at 6.95%
- Continued reduction in cost of borrowings. **Q4FY21 WAC at 7.65%, the lowest ever.**
- **GS3 below 5%**, YoY reduction from **5.36% to 4.97%**. Increase in PCR from **59% to 69%**
- **Lowest ever NS3 at 1.57%**, down 35 bps on QoQ basis & 71 bps on YoY basis (2.28% in Q4FY20)
- **Prudent provisioning approach to protect book:** Additional overlays currently at **Rs. 1033 Cr** (1.20% on standard book)

Mumbai, 29th April 2021: The Board of **L&T Finance Holdings (LTFH)**, a leading Non-Banking Financial Company (NBFC-CIC), today announced the financial results for the fourth quarter and financial year ended 31st March 2021. LTFH being a CIC, carries out its businesses through its wholly owned subsidiaries.

LTFH is a market leader (ranked No. 1) in Farm Equipment Finance and Renewable Finance and is ranked #3 financier in both Two-Wheeler Finance as well as in Micro Loans (by book size) along with being one of the leading players in the Infrastructure financing space, more particularly in Renewables, Roads and transmission projects. With a sustainable business model, data analytics driven disbursements and collection and a sharp focus on asset quality and portfolio protection, the company remains committed to building a stable and sustainable organization for its consumers and other stakeholders.

In the quarter, LTFH raised ~Rs 3,000 Cr through Rights issue in Q4FY21, which was oversubscribed by 15%. Furthermore, the Company completed the merger of its operating lending entities - L&T Infrastructure Finance Company Ltd. and L&T Housing Finance Ltd., with L&T Finance Ltd. to create a single unified entity for better operational efficiency, superior cash flow synergies and unparalleled growth.

The Company now maintains a very strong capital adequacy of 23.80%.

Commenting **on the financial results Mr. Dinanath Dubhashi, Managing Director & CEO, L&T Finance Holdings, said,** "With normalcy returning in the latter half, our focused businesses have witnessed continued momentum in disbursements, with increased market share across desired businesses (15% in Farm and 11% in TW finance). At the same time, we have fully dealt with stress corresponding to first wave of Covid-19 and have adequately provided for the same through prudent

provisioning in FY21 itself and are well prepared to remain resilient on the back of strong fundamentals and a strengthened balance sheet. While the second wave has led to uncertainty and change in market dynamics, we believe that our strengths prepare us well to handle these circumstances.”

Key Highlights

The quarter continued to see economic recovery across sectors led by rural and infrastructure space, which helped our businesses. Our Rural franchise was strengthened with highest ever quarterly disbursements, with leadership positions in Farm & Two-Wheeler financing. Our Infra finance segment witnessed robust **sell down momentum** which touched **Rs. 979 Cr** in the quarter and NIMs + Fees increased to 8.17%, duly aided by lowest ever quarterly WAC at **7.65%**.

- A. Disbursements:** In Q4FY21, the company continued to witness a strong pick up in disbursements, duly supported by robust sell down momentum in Infra finance and achieved highest ever quarterly disbursements in Rural finance.

Rural Finance:

- a. **Farm Equipment Finance:** LTFH established itself as the No.1 financier in this segment with a significant increase in market share to 15%. Overall disbursements were up 17% YoY in FY21, achieved on the back of early normalization in CE. The disbursements for Q4 were up 40% on YoY basis. The Company leveraged analytics to gain counter share with identified dealers
- b. **Two-Wheeler Finance:** With improved market share, we have been ranked 3rd in the segment with an 11% increase in market share. In Q4FY21, the business CE saw an uptick from Q3FY21, with disbursements in the quarter also up 14% YoY
- c. **Micro Loans (ML):** With nearly NIL disbursements in Q1FY21 and moratorium till May, Micro Loans business registered its **highest ever quarterly disbursement** at Rs. 3,181 Cr in Q4FY21, up 54% QoQ and 44% YoY. Re-initiated disbursements to new customers in Q4 on the back of availability of customer repayment data.

Housing Finance:

- a. **Home Loan:** In Q4FY21, the business continued to witness a steady pick up, with home loan disbursements registering a QoQ growth of ~35%. The salaried Home Loan segment registered a growth of 32% QoQ in Q4FY21 and 41% YoY
- b. **Real Estate:** LTFH continued its strategy of focus on project completion by lending only to existing projects during the quarter. The Company plans to start new underwriting in FY22.

Infrastructure Finance:

LTFH continues to be the market leader in Renewable financing and one of the leading players in Infrastructure finance business with robust pipeline to aid disbursement growth in FY22. The business maintained a steady growth QoQ as situation improved. There was a strong uptick in sell-down and pre-payments, led by a strong sell-down desk and pick up in the sector. Strong emphasis was placed on project monitoring through continuous engagement with contractors and developers as well as use of technology like drones, etc.

- B. Liquidity:** Q1FY21 saw tightened liquidity situation for NBFCs with pandemic led disruptions, moratorium and closure of few debt schemes by a Mutual Fund. LTFH proactively took necessary measures to remain resilient through the pandemic:

- **Q1FY21** - Proactively shored up liquidity to safeguard the company against lockdown and moratorium issues

- **Q2FY21** - With ease in systemic liquidity & reduction in uncertainty; gradually reduced negative carry and liquidity
- **Q3/Q4FY21**- Demonstrated strength by raising low-cost funds as well as prepaying / renegotiating high-cost borrowing
- Sharp decline in cost of funds with Q4FY21 WAC at 7.65% – down 78 bps on YoY basis & 17 bps on QoQ basis

As of March 2021, the company maintained liquid assets in the form of cash, FDs and other liquid investments to the tune of **Rs. 10,122 Cr.**

C. Highest Credit Ratings: A diversified business presence, strategic importance to L&T, strong resource raising ability and adequate capitalization resulted LTFH and all its lending subsidiaries' long-term ratings been rated '**AAA**' by all four rating agencies:

- CRISIL** – May 2020 and in December 2020
- CARE** - October 2020
- India Ratings** - September 2020
- ICRA** - September 2020

Subsequent to the merger of L&T Infrastructure Finance Company Ltd and L&T Housing Finance Ltd into L&T Finance Ltd (L&T Finance) becoming effective, all the Rating agencies have reviewed the ratings of L&T Finance and have assigned / reaffirmed the '**AAA**' rating in April-21.

D. Focus on Strengthening Balance Sheet: LTFH strengthened its balance sheet by maintaining adequate PCR on GS3 book and additional provision on non-GS3 book for any future economic uncertainty. The GS3 assets of the company stood at **4.97%** in Q4FY21 of its book, showing a reduction of **39bps** YoY. NS3 registered the sharpest improvement since the introduction of Ind-AS and reduced from 2.28% to 1.57% YoY. The company also strengthened the PCR on Stage 3 assets from **59%** in Q4FY20 to **69%** in Q4FY21. Asset quality and PCR has improved in FY21 vis-à-vis FY20 despite the impact of Covid, showcasing strong underwriting, robust collection and stringent EWS

(Rs. Cr)	Q4FY20	Q3FY21	Q4FY21
Gross Stage 3	5,037	4,935	4,504
Net Stage 3	2,078	1,791	1,377
Gross Stage 3 %	5.36%	5.12%	4.97%
Net Stage 3 %	2.28%	1.92%	1.57%
Provision Coverage %	59%	64%	69%

As a prudent measure, LTFH is carrying additional provisions of **Rs. 1033 Cr** (1.2% of standard book) as of Q4FY21.

E. Focused Lending Book: The share of retail portfolio in the overall book grew to 43.4% in FY21. Within the book, Farm Equipment grew 22% on YoY basis and TW book by 8%. The asset size of our Salaried home loans portfolio also grew by 6% in the same period.

(Rs. Cr)	Q4FY20	Q4FY21	Book Growth (%)
Focused Lending Business			
Rural Finance	27,661	30,080	9
Housing Finance	26,584	23,689	(11)
Infrastructure Finance	38,909	37,543	(4)
Total Focused Book	93,154	91,312	(2)

Defocused Businesses	5,230	2,702	(48)
Total Lending Book	98,384	94,013	(4)

The Average Assets under Management (AAUM) of the Investment Management business stood at **Rs.72,728 Cr** in Q4FY21. The AUM for Equity and Fixed Income asset classes as on 31st March, 2021, stood at **Rs. 40,374 Cr** and **Rs. 23,386 Cr**, with a growth of **4%** and **4%**, respectively, on a QoQ basis.

F. Financial Performance

Concerted on-field efforts, data analytics led prioritization and resource allocation has led to an increase in collection volumes across businesses to pre-covid levels as well as strong disbursement momentum, supported by a higher total income.

The company posted a consolidated **Earnings before Credit Cost (EBCC)** of **Rs. 1,481 Cr** in Q4FY21, a **24 %** increase YoY, from **Rs. 1,192 Cr** in Q4FY20.

- **Steady increase in Fee income each quarter** (Rural fee up by 5% in FY21 despite disbursements being down by 15%); Overall Fee income up by **46%% YoY in Q4FY21**
- Reduction in cost of funds by **78 bps YoY** from 8.43% in Q4FY20 to **7.65% in Q4FY21**
- Increase in total income by **16% YoY in Q4FY21**
- **Reduction in GS3** from 5.36% to 4.97% YoY; **NS3 reduced** from 2.28% to 1.57% YoY; **Increase in PCR** from 59% to 69% YoY

The PBT for Q4FY21 stood at Rs. 828 Cr, up 135% QoQ and 88% YoY (Rs. 440 Cr in Q4FY20).

- **PAT (before exceptional items)** of **Rs.428 Cr** in **Q4FY21** vs **Rs.386 Cr** in Q4FY20
- After one-time exceptional items, PAT for Q4FY21 is Rs. 267 Cr

Mr. Dubhashi further added, “The merger of our three operating lending entities into one entity will enhance governance standards and we also believe that the simplified structure will lead to operational efficiencies and cash flow synergies, thereby creating long term value for stakeholders. Through FY21, LTFH has shown the ability to deal with extremely tough conditions and has emerged strongly. With the recent capital raise, we are suitably placed to deliver medium to long-term growth with increase in retailisation & well positioned to weather any short-term disruptions arising from second wave of Covid.”

About L&T Finance Holdings (LTFH):

LTFH (www.ltfh.com) is one of India’s leading Non-Banking Financial Company (NBFC-CIC) that offers a range of financial products and services across rural, housing, infrastructure finance and mutual funds, through its wholly owned subsidiaries. L&T Financial Services (LTFH) is the brand name of L&T Finance Holdings and its subsidiaries. Headquartered in Mumbai, LTFH has been rated AAA — the highest credit rating for NBFCs — by four leading rating agencies. Since FY17, LTFH entities have successfully leveraged digital and data analytics to enhance portfolio quality, achieve scale, increase cost efficiency as well as build market leading products offering among the best-in-class turnaround time (TAT), in service of our consumers. L&T Financial Services has been certified as a constituent company in the FTSE4Good Index Series, for its ESG standards. LTFH was recognised as the ‘*Socially Aware Corporate of the Year*’ in the Business Standard Social Excellence Awards, 2019, and was awarded FICCI’s Corporate Social Responsibility Award for “*Women Empowerment*” for Digital Sakhi, its flagship CSR program.

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