

Press Release

Thursday, July 16, Mumbai

L&T Finance Holdings Ltd. announces financial results for the quarter ended June 30, 2020

- **Faster than expected recovery in Rural segments; 19% YoY increase in Farm Equipment units financed during June**
- **Strong uptick in collections. Progressive improvement from April to June. QoQ reduction in debtors by Rs. 1,306 Cr. Collections further accelerated in July**
- **Reduction in Moratorium on Retail lending book from 79% in Mar-20 to 44% in Jun-20**
- **Decline in GS3 from 5.72% to 5.24% YoY. NS3 reduced from 2.48% to 1.71% YoY (PCR increased from 58% to 69%)**
- **Strengthened balance sheet further through provisions of Rs. 577 Cr over and above GS3 provisioning**
- **PAT at Rs. 148 Cr for Q1FY21 versus Rs. 549 Cr in Q1FY20. Adjusted for above provisions, PAT for Q1FY21 stood at Rs. 580 Cr**
- **Maintained enhanced structural liquidity at Rs. 16,669 Cr at group level**

L&T Finance Holdings (LTFH), a leading, well-diversified Non-Banking Financial Company (NBFC) announced the financial results for the quarter ended June 30, 2020. It is amongst the leading financiers across its focused businesses today and continues to leverage its strengths, built over the years, for building a stable and sustainable organization.

The company remained resilient in Q1FY21, enduring the challenges posed by COVID-19, by maintaining enhanced levels of liquidity, higher focus on restoring collection rhythm including digital modes of collection, and re-initiating disbursements with tightened credit norms. The company also prudently increased provisions to safeguard the balance sheet against uncertainties of the external environment. With roll out of moratorium 2.0, customer communication and engagement remained the key priority.

Key Highlights:

LTFH saw significant pick-up in collections and disbursements in June, thus highlighting the business robustness across the lending platforms. Businesses started returning to normalcy in the third month of the quarter and the company placed incremental focus on preserving asset quality, strengthening the balance sheet and further building on the business strengths.

A. Moratorium: LTFH followed the RBI's circulars of granting moratorium to customers and offered the option to all its customers. With the opening up and resumption of on-field collection, the team worked with customers to educate the benefits of timely payments. Consequently, the percentage of borrowers opting for moratorium drastically came down in Q1FY21 as against Q4FY20.

- Considerable reduction in portfolio under moratorium for retail products from 79% in March-20 to 44% in June -20
- The overall moratorium for Infrastructure finance, IDF and Real Estate borrowers remained close to 40%, as majority of the Infrastructure portfolio is operational and has a 'must run' status.

In addition, for projects under moratorium, the company has ensured that adequate liquidity is maintained in borrower's DSRA / TRA accounts.

B. Collections: LTFH placed higher focus on collection while educating the customers about the impact of moratorium. It's inherent strengths in data analytics were utilized to model propensity to pay and aid field collection efforts. On-ground collections started in all field locations except containment zones, with simultaneous push on digital collections and strengthening of collection infrastructure.

- Reduction in debtors by Rs.1,306 Cr and GS3 by Rs. 98 Cr on the back of improved 'on due date' collections primarily led by farm portfolio
- Consistent month on month increase in collection volumes, with retail collections till 14th July about 15% higher than similar period in June'20.
- Month on month increase in collections from wholesale portfolio, with toll collections in June reaching 80% and escrow collections in Real estate reaching 33% of pre-Covid levels.
- Increased push towards collections from digital modes including payment wallets. First time digital collections for our Microloans portfolio

C. Disbursements: The Company focused on increasing reach and gradual ramping up of business:

- Retail businesses have seen an improved momentum on month on month basis
- In wholesale, disbursements have been limited to tranches with focus towards completing existing projects
- Positive sentiments in rural India with timely onset of monsoon and above normal reservoir storage
- Financed over 10,000 Farm Equipments in June (19% YoY increase)
- Retail disbursements expected to accelerate in Q2F20, Infrastructure and Real estate disbursements will depend upon the growth in the sector

D. Liquidity: LTFH is comfortably placed with adequate liquidity even after factoring the effect of moratorium and difficult conditions in the debt market. It's prudent ALM framework and well-diversified liability mix helped it navigate the market situation:

- Maintained positive liquidity gaps in all buckets up to 1 year, enabling us to tide over liquidity challenges
- Enhanced liquidity of Rs. 16,669 Cr including liquid assets of Rs. 9,082 Cr, undrawn bank lines of Rs. 5,587 Cr and back up line of Rs. 2,000 Cr from L&T Ltd.
- Received the first tranche of \$ 50 million of the total \$ 100 million ECB loan from Asian Infrastructure Investment Bank (AIIB). This development marks AIIB's first loan to a non-banking financial company (NBFC) in India

E. Strong Balance Sheet: The Gross Stage 3 assets of the company stood at 5.24% of its book, showing a reduction of 48 bps on YoY basis. The company also strengthened the PCR on stage 3 assets from 59% in Q4FY20 to 69% in Q1FY21.

Period	Q1FY20	Q4FY20	Q1FY21
Gross Stage 3	5,460	5,037	4,939
Net Stage 3	2,287	2,078	1,553
Gross Stage 3 %	5.72	5.36	5.24
Net Stage 3 %	2.48	2.28	1.71
Provision Coverage %	58	59	69

The company, in addition to above, prudently created an incremental provision of Rs. 577 Crs against its standard assets book in this quarter. It, resultantly, carries Rs. 1,244 Cr of provisions on account of macro prudential provisions, COVID-19 and accelerated ECL provisions on stage 1&2 assets, which are over and above the expected credit losses on GS3 and Stage 1&2 assets. The additional provisions translate to 1.39% of the standard book.

With this, the company firmly remains well prepared to deal with external uncertainties on account of COVID -19 and other macro-economic concerns.

LTFH continues to maintain strong capital adequacy of 21.18%

F. Focused Lending Book: The lending book of the focused businesses has remained flat, mainly to the extent of reduction in disbursements and moratorium on collections across businesses.

(Rs. Cr)	Q1FY20	Q1FY21	Book Growth (%)
Focused Lending Businesses			
Rural Finance	25,845	27,476	6
Housing Finance	26,033	26,954	4
Infrastructure Finance	38,623	39,276	2
Total Focused Book	90,500	93,706	4
Defocused Businesses	9,403	5,173	-45
Total Lending Book	99,904	98,879	-1

The Average Assets under Management (AAUM) of the Investment Management business stood at Rs.58,362 Cr in Q1FY21. The AUM for Equity and High-Quality Fixed income asset classes as on 30th June 2020 stood at Rs. 33,295 Cr and Rs. 12,442 Cr, with a growth of 19% and 14% respectively on QoQ basis

Financial Performance:

Profitability for the quarter was largely impacted due to interest cost on enhanced liquidity, lower fee income and most importantly, incremental provisions taken to strengthen the balance sheet against the after effect of the pandemic

The consolidated PAT is Rs. 148 Cr for Q1FY21 from Rs. 549 Cr in Q1FY20 on account of:

- Lower NIMs +Fees at 5.78% (Q1FY21) vs 6.76% (Q1FY20)
 - Negative carry on account of maintaining higher liquidity buffer of Rs 6,600 Cr carried as a prudent measure – Rs.84 Cr
 - Lower fee income because of lower disbursements across businesses

- Incremental provisions of Rs. 577 Crs in Q1FY21 to strengthen balance sheet. Credit Cost in Q1FY21 is shown at Rs. 896 Cr Vs Rs. 595 Cr in Q1FY20
 - COVID-19 provision of Rs. 277 Cr. in Q1FY21 (5% of 1-90 DPD book with moratorium, along with Rs 209 Cr in Q4FY20)
 - Macro-prudential provisions of Rs. 300 Cr

Adjusted for the above incremental provisions, the PAT for Q1FY21 stood at Rs. 580 Cr.

Management Commentary:

Commenting on the financial results **Mr. Dinanath Dubhashi, Managing Director & CEO, LTFH**, said,

" The results of this quarter should be seen less as a quarterly result and more from the viewpoint of fortifying the company from any challenges arising in post-Covid scenario. Also, the various parameters should not be viewed on absolute levels but on the basis of progressive development from April to June as the company took advantage of gradual unlocking of markets.

As the world embraces the 'new normal' by adapting to the radical changes brought about by the pandemic, LTFH with its prudent business initiatives & proactive response mechanism, aided by the definite green shoots in the rural economy, is well poised to take it in its stride. This quarter, we focused on restoring the collection rhythm and maintaining the asset quality, especially through on-field customer outreach in non-containment zones. Our investments in digitalization and data-analytics capabilities over the past few years helped us switch gears seamlessly and enabled all our stakeholders to engage electronically. Enhanced provisioning, stronger risk controls, ample liquidity, along with a resilient business model and the revival seen in the rural economy from June onwards, give us the confidence that we will bounce back faster to the pre-Covid levels than anticipated."

About L&T Finance Holdings: LTFH (www.ltfh.com) is a financial holding company offering a focused range of financial products and services across rural, housing and infrastructure finance sectors, as well as in mutual fund products, 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 and L&T Investment Management Ltd. LTFH is registered with RBI as a CIC-ND-SI (1) L&T Infrastructure Debt Fund is indirectly wholly-owned subsidiary of LTFH with 100% of its shareholding held by LTFH along with its wholly-owned subsidiaries

LTFH is promoted by Larsen & Toubro Ltd. ("L&T") (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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