

PRESS RELEASE

L&T Finance Holdings Ltd. announces financial results for Q2FY21

- Excellent revival seen in rural and renewable sector; gained market share to become No.1 Farm Equipment financier for Q2FY21
- Significant business momentum in Farm Equipment, Two-Wheeler and Renewable Finance. Moderate pick-up of disbursements in Micro Loan and Home Loan
- PAT at Rs. 265 Cr. (after creating additional provision of Rs. 512 Cr in Q2FY21 for further strengthening of balance sheet), up from Rs. 148 Cr. in Q1FY21
- Reduction in GS3 from 5.98% to 5.19% YoY; NS3 reduced from 2.83% to 1.67% YoY, (Increase in PCR from 54% to 69%)
- Structural liquidity remains comfortable at Rs. 17,449 Cr; with liquidity conditions remaining comfortable the focus is on further reducing cost of borrowing
- AAA rating reaffirmed by CRISIL, ICRA, CARE and India Ratings

Mumbai, 22 October 2020: The Board of L&T Finance Holdings (LTFH), a well-diversified Non-Banking Financial Company (NBFC), present in key lending businesses such as Rural, Housing and Infrastructure finance, today announced the financial results for the quarter ended September 30, 2020.

LTFH is a market leader in Farm Equipment finance and Infrastructure finance, with a dominant position in Two-Wheeler finance and Micro Loans. With a robust business model, data analytics led collection and disbursements prioritization, and a sharp focus on asset quality, the company remains committed to building a stable and sustainable organization for its consumers and other stakeholders.

Commenting on the financial results Mr. Dinanath Dubhashi, Managing Director & CEO, LTFH, said, "As anticipated, Q2 saw a revival in the rural economy, which we believe will also drive the economic growth of the country for the next few quarters. In Q2, our Rural business witnessed significant growth momentum backed by our market leading position and strong digital and data analytics infrastructure for the lending business. The performance was also boosted by excellent pick up in disbursements in our renewable energy portfolio.

Furthermore, with the incremental macro prudential provisions made in the quarter we have a well provided for balance sheet. AAA rated NBFCs like LTFH are seeing a gradual easing out of liquidity conditions and our focus now would be to reduce excess liquidity and bring down the cost of borrowing."

Key Highlights of Q2FY21:

The quarter saw a significant up-take in rural and infrastructure finance, led by a revival in the economy, leading to significant MoM improvement in collections. LTFH took full advantage of the faster than expected recovery in Rural and Infrastructure segments and is well positioned for the upcoming festive season.

L&T Finance Holdings Limited

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- A. **Disbursements:** The company witnessed excellent pick-up in disbursements across the various retail businesses and Infrastructure finance.
- **Rural Finance:** witnessed steady MoM improvements in disbursements with highest ever 'September' disbursement.
 - a) Farm Equipment Finance: focus on new tractor business and increased refinance helped us gain market share to become No.1 Farm Equipment financier for Q2FY21; **59%** YoY increase in disbursements
 - b) Two-wheeler Finance: witnessed increased momentum; among top 3 financiers in August & September
 - c) Micro Loans: substantially ramped up disbursements on the back of improved collection efficiency MoM, with additional provisions to address any moratorium related risk
 - **Housing Finance:**
 - a) Witnessed moderate pick-up in Home Loan & Loan Against Property (LAP), led by slower pick up in Industry fundamentals. 87% of Home Loans disbursed were to the salaried segment. Furthermore, salaried home loan disbursements reached 88% in September 2020 vs September 2019
 - b) No new real estate projects were sanctioned, and we continued to support developers in fast tracking existing construction progress leading to improved collections and sales as the economy gradually opened up
 - **Infrastructure Finance:** strong pick up in disbursements, especially in renewables, with the highest ever quarterly sell down of **Rs. 4,073 Cr**. Our continued focus on projects with strong sponsors and off-takers with proven track record helped us maintain market leadership position in identified sectors.
- B. **Liquidity:** With availability of ample liquidity in the system for AAA rated NBFCs with good parentage, LTFH's focus will be on reducing excess liquidity and cost of borrowing.
- As of September 2020, we maintained **Rs. 17,449 Cr** of liquidity through the following:
- a. Liquid Assets in the form of cash, FDs and other liquid investments of **Rs. 8,660 Cr**
 - b. Undrawn bank lines of **Rs. 6,789 Cr** and back up line from L&T of **Rs. 2,000 Cr**
 - c. Received the first tranche of **\$50 million** of the total **\$100 million** ECB loan from Asian Infrastructure Investment Bank (AIIB); AIIB's first loan to a non-banking financial company (NBFC) in India
- With easing of market condition our focus now would be to reduce excess liquidity and bring down the cost of borrowing
- C. **Highest Credit Ratings:** A diversified business presence, improving asset quality, prudent ALM and strategic importance to the parent L&T has led to LTFH's AAA rating being reaffirmed.
- CRISIL assigned in October 2019 and reaffirmed in May 2020
 - India Ratings reaffirmed in September 2019 and April 2020
 - ICRA reaffirmed in August 2019 and September 2020
 - CARE reaffirmed in August 2019 and October 2020

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D. Balance Sheet: The focus on further strengthening the balance sheet remains even though there is a strong on-ground recovery in the rural economy. LTFH continues to maintain strong capital adequacy of **21.37%**.

The Gross Stage 3 assets of the company stood at **5.19%** of its book, showing a reduction of **79bps** YoY. The company also strengthened the PCR on stage 3 assets from **54%** in Q2FY20 to **69%** in Q2FY21.

Period	Q2FY20	Q1FY21	Q2FY21
Gross Stage 3	5,745	4,939	4,921
Net Stage 3	2,632	1,553	1,530
Gross Stage 3%	5.98	5.24	5.19
Net Stage 3%	2.83	1.71	1.67
Provision Coverage %	54	69	69

As a prudent measure, we have made additional provisions of **Rs. 512 Cr** in Q2FY21 to strengthen the balance sheet, even though there is strong on-ground recovery. LTFH, resultantly, carries **Rs. 1,757 Cr** of provisions on account of macro prudential provisions, COVID-19 and accelerated Expected Credit Losses (ECL) provisions on stage 1 & 2 assets, which are over and above the ECL model on GS3 and Stage 1 & 2 assets. The additional provisions of **Rs. 1, 757 Cr** translate to **1.95%** of the standard book. Out of this, **Rs 1,079 Cr** of provisions are towards Micro Loan book (9.2% of standard Micro Loan book). Moratorium related risks have been largely addressed through these additional provisioning.

E. Focused Lending Book: The focused lending book improved marginally, owing to the increase in disbursements in the quarter. Within the focused lending book, the Rural Finance book grew by **7%** YoY, suitably aided by growth in Farm Equipment Finance book by **19%** and the Two-Wheeler Finance book by **12%**. The Home Loan book grew by **11%**, YoY.

(Rs. Cr)	Q2FY20	Q2FY21	Book Growth (%)
Focused Lending Businesses			
Rural Finance	26,597	28,371	7
Housing Finance	26,986	27,241	1
Infrastructure Finance	39,472	38,560	(2)
Total Focused Book	93,055	94,172	1
Defocused Businesses	7,203	4,651	(35)
Total Lending Book	1,00, 258	98,823	(1)

The Average Assets under Management (AAUM) of the Investment Management business stood at **Rs.63,057 Cr** in Q2FY21. The AUM for Equity and High-Quality Fixed income asset classes as on 30th September 2020 stood at **Rs. 35,635 Cr** and **Rs.13,783 Cr**, with a growth of **7%** and **11%** respectively on QoQ basis.

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Financial Performance:

LTFH is focused on leveraging the power of data and analytics to build a 'collection led disbursement' model, which along with economic recovery in the rural segment has led to a significant improvement in collection efficiency.

- The company posted a consolidated **PAT of Rs. 265 Cr** in Q2FY21, a **52%** increase YoY, up from **Rs. 174 Cr** in Q2FY20*
- PAT in Q2FY21 saw a **79%** increase over Q1FY21, which stood at **Rs. 148 Cr**.
- **NIMs+Fees** at **6.49%** (Q2FY21) vs **6.86%** (Q2FY20). With normalcy returning, NIMs+Fees have reached the desired range of 6.5%-7% despite carrying a negative carry of **Rs. 64 Cr** on additional liquidity
- Reduction in GS3 from **5.98%** to **5.19%** YoY, NS3 reduced from **2.83%** to **1.67%** YoY, Increase in PCR from **54%** to **69%** YoY
- Furthermore, we made incremental macro prudential provisions of **Rs. 512 Cr** in Q2FY21 to strengthen our balance sheet.

*PAT in Q2FY20, before impact of DTA was Rs. 647 Cr.

Sharing an outlook for Q3FY21, **Mr. Dubhashi** further added, "The rural revival led by higher reservoir levels, better water management systems, solid monsoons as well as the farm bill reform, points towards the beginning of an upward swing for companies with robust rural business models."

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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