

Press Release*Friday, May 15, Mumbai***L&T Finance Holdings announces financial results for the quarter and financial year ended March 31, 2020**

<p>PAT (pre DTA impact) at Rs. 2,173 Cr for FY20</p> <p>Additional provisions of Rs. 314 Cr, including Rs. 209 Cr for Covid-19 and enhanced provision of Rs. 105 Cr on stage 2 assets</p> <p>PAT (post additional provisions) at Rs. 386 Cr for Q4FY20</p> <p>RoE (pre DTA impact) stands at 14.96% for FY20</p> <p>Comfortable liquidity of Rs. 15,485 Cr</p> <p>GS3 declined to 5.36% in FY20 from 5.90% in FY19</p> <p>Reaffirmation of AAA rating by CRISIL and India Ratings and Research, amidst multiple downgrades across the sector</p>

L&T Finance Holdings (LTFH), a leading Non-Banking Financial Company (NBFC) today announced the financial results for the quarter and financial year ended March 31, 2020.

LTFH continued on its path of building a stable and sustainable organization built on a foundation of assurance for all stakeholders. The company remains amongst the leading financiers across its focused businesses in FY20.

- ✓ 2nd largest financier of Farm Equipment Finance in the country with an increase in market share to 15% in Q4 FY20 from 14% in Q3 FY20
- ✓ 5th largest Two-Wheeler financier with an increase in market share to 11% in Q4FY20 from 9% in Q3FY20
- ✓ 3rd largest Micro loans provider
- ✓ In Home Loans, share of salaried customers increased to 64% from 48%YoY
- ✓ Market Leader in Renewable Energy financing

Key Strengths:

The company remained resilient in Q4FY20, enduring the challenges posed by Covid-19 by continuing to focus on the strengths it has built over the past few years.

Prudent ALM Framework: As per its prudent ALM policy, LTFH maintained positive liquidity gaps in all buckets till 1 year after factoring the effect of moratorium. As on 31st March, 2020, one-year Positive Structural Liquidity gap was Rs. 24,549 Cr.

Enhanced Liquidity: Given the Covid-19 pandemic and difficult situation in the debt market, LTFH maintained higher than normal liquidity, remaining comfortably placed to meet all obligations of the coming months. The liquidity of Rs. 15,485 Cr included liquid assets of Rs. 8,468 Cr, undrawn bank lines of Rs. 5,017 Cr and back up line of Rs. 2,000 Cr from L&T Ltd.

Diversified Liability Mix: LTFH demonstrated its ability to raise long-term funding from broad based sources, garnering Rs. 28,225 Cr in FY 20, its highest ever annual long-term borrowing. The company focused on further diversifying the funding sources and raised Rs. 9,415 Cr (Priority Sector Lending, retail NCDs and ECBs) from new sources in FY20.

Highest Credit Ratings: LTFH and all its lending subsidiaries have been assigned/reaffirmed AAA rating by CRISIL, India Ratings, ICRA and CARE, notwithstanding multiple downgrades across the sector.

Strong Balance Sheet: Rigorously monitored early warning signals, concentration on early bucket collections and strong Stage 3 resolution efforts has helped LTFH achieve reduction in Stage 3 assets quarter on quarter and year on year. The asset quality improved in Q4FY20, as compared to Q3FY20, even without considering the DPD freeze. GS3 declined to 5.36% in Q4FY20 from 5.94% in Q3FY20 and 5.90% in Q4FY19.

LTFH continues to maintain strong capital adequacy of 21.60%

(Rs. Cr)	Q4FY19	Q3FY20	Q4FY20
Gross Stage 3	5,549	5,662	5,037
Net Stage 3	2,174	2,458	2,078
Gross Stage 3 %	5.90	5.94	5.36
Net Stage 3 %	2.40	2.67	2.28
Provision Coverage %	61	57	59

Asset Quality	Q3FY20	Q4FY20 (with DPD Freeze)	Q4FY20 (Without considering DPD Freeze)
Gross Stage 3 (Rs. Cr)	5,662	5,037	5,287
Gross Stage 3 %	5.94%	5.36%	5.63%

Q4 in Perspective:

Q4FY20 was estimated to be a fairly normal quarter till about 10th March 2020. The partial lockdown due to Covid-19 and the subsequent nationwide lockdown led to a slowdown in the disbursements and collections, across the country. While this had minimal impact on the operating performance of Q4FY20, the profitability for the quarter was impacted largely due to the incremental provisions taken to strengthen the balance sheet against the after effect of the pandemic.

Disbursements: Substantial pre-planned disbursements in infrastructure finance were paused due to increasing risk perception. The retail disbursements were completely stopped in the end of March 2020 due to point of sale being closed during lockdown. Excluding Covid-19 impact, disbursement is in line with the previous quarters (YoY).

Book Growth: The impact of Covid-19 on book was mainly to the extent of reduction in disbursements post lockdown in March 2020.

	FY19 (Rs. Cr)	FY20 (Rs. Cr)	Book Growth (FY20 vs FY19)
Focused Lending Businesses			
Rural Finance	25,577	27,661	8%
Housing Finance	25,519	26,584	4%
Infrastructure Finance	37,660	38,909	3%
Total Focused book	88,756	93,154	5%
Defocused Lending Businesses (incl. Structured Finance & DCM)	10,365	5,230	(50%)
Total Lending Book	99,121	98,384	(1%)

The Average Assets under Management (AAUM) of the Investment Management business stands at Rs.71,056 Cr in Q4FY20.

Cost of Funds: The Weighted Average Cost of Funds improved significantly at 8.43% in Q4FY20 Vs.8.53% in Q4FY19 and 8.54% in Q3FY20, despite YoY reduction in share of Commercial Papers (CP), increase in long-term borrowings, and enhanced liquidity in Q4FY20.

NIMs + Fees: The NIMs + Fees income for LTFH stood at 7.15% in FY20, as against 6.75% in FY19. Lower disbursements, lower fee income and cost of maintaining higher liquidity, resulted in reduced Q4FY20 NIMs + Fees to 6.87%, as against 7.29% in Q3FY20.

Credit Cost: As per RBI guidelines, we have offered the option of moratorium to all our customers for installments falling due between March 1, 2020 and May 31, 2020 across businesses. In line with this, LTFH created additional Covid-19 provisions of Rs. 209 Cr, corresponding to 5% of 1-90 DPD book availing moratorium in March'20. The company also created enhanced ECL provisions of Rs. 105 Cr on stage 2 assets, considering possible emerging stress in the economy after the lockdown is over.

The above provisions are in addition to the existing macro prudential provisions of Rs. 350 Cr, taking the total additional provisions to Rs. 664 Cr (0.75% of standard book).

Financial Performance:

- ✓ PAT (pre DTA) of Rs. 2,173 Cr in FY20 Vs Rs 2,226 Cr. in FY19
- ✓ PAT of Rs.386 Cr in Q4FY20 Vs Rs.548 Cr in Q4FY19. This reduction in PAT is largely explained by the additional provisions taken to strengthen the balance sheet to be able to face the aftermath of pandemic
- ✓ RoE (pre DTA) stands at 14.96% in FY20 Vs 17.92% in FY19.

Management Commentary:

Commenting on the financial results **Mr. Dinanath Dubhashi, Managing Director & CEO, LTFH**, said, "The inherent strength of the business model will be proven as we face one of the worst economic situations experienced by the entire world. While our disbursement, collection and asset quality has remained strong during Q4FY20, there is a clear need to counter the difficulties facing the economy in FY21. Accordingly, we have further strengthened our balance sheet by building substantial incremental provisions as well maintaining the comfortably positive ALM and enhanced liquidity". This along with a

robust collection mechanism, aggressive monitoring of portfolios, stringent risk mitigants and judicious cost control will hold us in good stead as the country emerges from this pandemic.”

About L&T Finance Holdings: LTFH (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 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⁾

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.

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

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