

Press Release

Tuesday, January 23, 2024, Mumbai

L&T Finance Holdings Ltd. (LTFH) records Q3FY24 Profit After Tax (PAT) of Rs. 640 Crore (Consol.), up 41% Year-on-Year (YoY)

*Transitions into a Retail NBFC with a Retail Book Size of ~Rs. 75,000 Crore;
PLANET app crosses 76 lakh downloads till date*

- **Achieved Lakshya 2026 goals two years ahead of time with:**
 - Retailisation at 91% vs. Lakshya 2026 target of >80%
 - Retail Book growth at 31% YoY vs. targeted growth rate of 25%
 - Retail Asset Quality with Gross Stage 3 (GS3) at 2.95% and Net Stage 3 (NS3) at 0.64% as against a target of GS3: <3% and NS3: <1%, respectively
- **Achieved highest ever quarterly Retail Disbursements at Rs. 14,531 Crore, up 25% YoY** driven by a robust business model, strong growth across all retail segments coupled with top-notch digital and data analytics
- **Completed the merger** of L&T Finance Ltd., L&T Infra Credit Ltd. and L&T Mutual Fund Trustee Ltd. with L&T Finance Holdings Ltd. in Q3FY24, thereby **creating a 'Single Lending Entity'**

Key highlights for Q3FY24

- **Q3FY24 Consolidated PAT at Rs. 640 Crore, up 41% YoY**, on the back of robust business performance, strong Net Interest Margins (NIMs) + Fees (Consol.) (10.93% in Q3FY24 vs. 8.80% in Q3FY23) and reduction in Credit Cost (Consol.) (2.52% in Q3FY24 vs. 2.67% in Q3FY23)
- **Highest ever quarterly Retail disbursements** at Rs. 14,531 Crore, up 25% YoY
- **Retail Book grew by 31% YoY** to Rs. 74,759 Crore vs. Rs. 57,000 Crore in Q3FY23
- **Net Interest Income (NII) (Consol.) grew by 8%** to Rs. 1,833 Crore vs. Rs. 1,693 Crore (YoY)
- **Retail - Asset Quality:**
 - GS3 stood at 2.95% vs. 3.05% Quarter-on-Quarter (QoQ) and 3.47% (YoY)
 - NS3 stood at 0.64% vs. 0.67% (QoQ) and 0.73% (YoY)
- **Return on Assets (RoA) (Consol.) at 2.53% in Q3FY24, up 87 basis points (bps) YoY** and 11 bps QoQ
- **'AAA (Stable)' reaffirmed** for L&T Finance Holdings Ltd. by **CRISIL, ICRA, CARE Ratings and India Ratings** post-merger

The Board of **L&T Finance Holdings Ltd.**, one of the leading Non-Banking Financial Companies (NBFCs) in India today announced the financial results for the third quarter that ended on December 31, 2023. Under Lakshya 2026, the Company is accelerating its journey toward becoming a top-class, digitally-enabled, and customer-focused Retail financier.

LTFH is amongst the leading financial institutions offering Rural Group Loans & Micro Finance, Farm Equipment Loans, Two-Wheeler Loans, Personal Loans, Home Loans & Loan Against Property as well as SME Loans. With a sustainable business model, data analytics-led collection and disbursements, a customer-centric approach, and a sharp focus on asset quality, the Company remains committed to building a stable and sustainable organisation for all its stakeholders.

Commenting on the financial results, **Mr. Sudipta Roy, who takes over as Managing Director and Chief Executive Officer of L&T Finance Holdings Ltd. on January 24, 2024** said, "It gives me immense pleasure to announce that we have achieved all our 'Lakshya 2026' goals two years in advance. With Retailisation at 91%, we have transitioned to a Retail NBFC straddling the Rural and Urban ecosystem. Going forward, our key focus will be on making Lakshya goals sustainable by ensuring that our performance is consistent and predictable.

To achieve this, we have concentrated our attention on executing strategy basis 5 key pillars, namely enhanced customer acquisition through funnel creation and contiguous/new products, sharpening credit underwriting by moving from a mono-axis underwriting to multi-axis underwriting i.e., Credit Bureau plus Account Aggregator and Orthogonal Signals, creating futuristic digital architecture, heightening brand visibility through increased share of voice, and capability building by ramping up tech talent."

Key Highlights:

A. Robust Retail Franchise

The Company's granular and deep pan India Retail franchise is led by its marquee distribution capabilities namely, its geographic presence in around 2,00,000 villages from 1,700 plus rural meeting centers/branches and over 150 branches across urban centers, servicing over 93 lakh active customers. This extensive geographic presence is also supported by over 10,000 channel relationships built over a decade. The Company also leverages its 2.2 Crore plus customer database to drive a credible cross-sell and up-sell franchise, with up-sell contributing to 33% of the Company's Q3FY24 disbursements.

B. Healthy Retail disbursements and book

The Retail Book now stands at 91% of the total loan book with strong Retail disbursements of Rs. 14,531 Crore (up 25% YoY) and Retail book at Rs. 74,759 Crore (up 31% YoY).

- **Rural Group Loans & Micro Finance** registered healthy quarterly disbursements during Q3FY24 at Rs. 5,476 Crore, recording a YoY growth of 28%. This growth was aided by a strong disbursal run rate of over Rs. 1,800 Crore during the quarter, coupled with a strong focus on strengthening customer retention with a substantial share of vintage borrowers. As

for the book, it saw a growth of 32% YoY and stood at Rs. 23,110 Crore vs. Rs. 17,485 Crore in Q3FY23.

- **Farmer Finance** disbursements during Q3FY24 stood at Rs. 2,027 Crore while witnessing a 32% growth on a sequential basis. The business growth was driven by proactive portfolio management using digital and data analytics. The segment also saw enhanced customer retention through upselling of Kisan Suvidha (comprising 18% of total disbursements), which is a top-up & refinance product. The book size grew 11% YoY and stood at Rs. 13,845 Crore vs. Rs. 12,447 Crore in Q3FY23.
- **Two-Wheeler Finance** disbursements during Q3FY24 registered highest ever quarterly disbursements in the quarter at Rs. 2,540 Crore, a YoY growth of 18% vs. Rs. 2,146 Crore in Q3FY23. The Company continues to focus on analytics-driven dealer relationships while building a robust network of dealerships through new initiatives. During the quarter LTFH financed nearly 11,000 Electric Vehicles (EV). The growth for the segment was additionally driven by continued focus on increasing the Prime & EV segment in Two-Wheeler with owing to deepening & new tie ups with leading industry players. The book size grew 20% YoY at Rs. 10,447 Crore vs. Rs. 8,716 Crore in Q3FY23.
- **Personal Loans** witnessed disbursements to the tune of Rs. 847 Crore in Q3FY24 vs. Rs. 1,228 Crore in Q3FY23. During the quarter, the book size grew by 36% to Rs 6,427 Crore vs. Rs. 4,719 Crore in Q3FY23. This calibrated growth is driven by a well thought out strategy as policies and strategies applicable to this product are currently being revamped. Going forward, with relevant risk guardrails in place, the Company envisages growth by leveraging on new partnerships and scaling up of the online acquisition channel.
- **Home Loans and Loans Against Property (LAP)** disbursements showed sustained growth momentum in Q3FY24 and witnessed growth of 67% to Rs. 1,998 Crore vs. Rs. 1,199 Crore in Q3FY23. As for the book size, it saw a growth of 33% in Q3FY24 to Rs. 16,654 Crore vs. Rs. 12,513 Crore in Q3FY23.
- **SME Loans** registered robust growth with Q3FY24 disbursements at Rs. 965 Crore vs. Rs. 538 Crore in Q3FY23. During the quarter, the book size reached the milestone of over Rs. 3,000 Crore, primarily driven by increased geographical presence and expansion of channel ecosystem through digital initiatives.
- **Collection Efficiency:** Maintained superior and industry best collection efficiency across Retail businesses through enhanced on-ground efforts, digital initiatives, and data analytics-based resource allocation.

C. Building a Fintech@Scale

LTFH is continuously developing digital finance delivery as a customer value proposition. The Company is focused on touching every part of the customer ecosystem and has a customer-focused digital-first approach not only in urban areas but also in rural areas. LTFH offers 100% paperless

journey in Rural Group Loans, Two-wheeler Finance, Farm Equipment Finance, and Personal Loans and has digitally disbursed 100% of the loans in urban and rural areas during the quarter. The Company continues to cross-sell and up-sell to its large database of more than 2.2 Crore customers by leveraging technology and using data analytics. Out of this customer database, the share of up-sell in disbursement stood at 33% thus implying an active customer franchise of over 93 lakh customers with disbursement per up-sell franchise standing at over Rs. 86,000. Additionally, during Q3FY24 loans were disbursed to more than 6.8 lakh new customers. The ability of the Company to deliver industry-leading collection efficiencies and turn-around time across Retail products is a visible result of adopting a Fintech@Scale approach.

Our customer-facing application - PLANET app, which was soft-launched in Q4FY22 has emerged as a powerful digital channel for our customers. It is built on the foundation of reimagining customer engagement by creating an augmented Direct 2 Customer (D2C) channel. The app serves as a geo-agnostic sourcing, collections, and servicing channel with customer-centric features. The app also provides multiple other features like Mandi Prices, Insurance Marketplace, Credit Score, etc. The app has already crossed 76 lakh downloads to date, which also comprises more than 9.9 lakh downloads by our rural customers. As of date, this channel has done collections of more than Rs. 800 Crore while servicing more than 13 lakh requests and sourcing loans over Rs. 4,600 Crore of business (including web).

D. Moving to a Single Lending Entity

During the quarter, LTFH completed the merger of its subsidiaries L&T Finance Ltd., L&T Infra Credit Ltd., and L&T Mutual Fund Trustee Ltd. with itself. With the merger LTFH has created a 'Single Lending Entity', thus consolidating all businesses under one operating NBFC. The benefits of the merger include enhanced governance and control, astute liability management, ability to provide enhanced returns to shareholders, seamless compliance, adherence to RBI's Scale Based Regulations, and improved operational efficiencies.

E. ESG and CSR initiatives

When it comes to ESG and CSR, the Company has been at the forefront. The following are the key developments during the quarter:

- In line with Carbon Neutrality Target 2035 LTFH reduced over 33% of carbon emissions and nearly 1,306 tCO₂e emissions avoided by switching to green power across L&T Finance branches
- Nearly 25,650 Electric Vehicles were financed till Q3FY24 of which around 11,000 were financed in Q3FY24 itself, in line with our ESG commitments
- Launched 'Sustainable Finance Framework' with second party opinion from CRISIL
- 50% of loan franchise towards financing sustainable livelihoods; promoting financial inclusion in women rural borrowers and farmers with over 63.5 lakh active women borrowers
- Signed a Social financing pact with a leading Multilateral Bank for USD 125 million to support financing in rural and peri-urban areas in India, particularly for women borrowers
- Enabled over 1 lakh community members to access and avail benefits of banking services and government schemes

About L&T Finance Holdings (LTFH):

L&T Finance Holdings Ltd. (LTFH) (<https://www.ltfh.com>), a leading Non-Banking Financial Company (NBFC), offers a range of financial products and services under the L&T Finance brand. Headquartered in Mumbai, the Company has been rated 'AAA' — the highest credit rating for NBFCs — by four leading rating agencies. It has also received leadership scores and ratings by global and national Environmental, Social, and Governance (ESG) rating providers for its sustainability performance. The Company has also won many prestigious awards for its flagship CSR project – “Digital Sakhi”- which focuses on women's empowerment and digital and financial inclusion. Under Right to Win, being in the 'right businesses' has helped the Company become one of the leading financiers in key Retail products. The Company is focused on creating a top-class, digitally-enabled, Retail finance company as part of the Lakshya 2026 plan. The goal is to move the emphasis from product focus to customer focus and establish a robust Retail portfolio with quality assets, thus creating a Fintech@Scale while keeping ESG at the core. Fintech@Scale is one of the pillars of the Company's strategic roadmap - Lakshya 2026. The Company has over 2.2 Crore customer database, which is being leveraged to cross-sell, up-sell, and identify new customers.

