

# **L&T Finance Ltd**

## **Disclosure on Liquidity Risk**

### **Background:**

RBI has issued final guidelines on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies on November 04, 2019. As per the said guidelines, NBFC are required to publicly disclose the below information related to liquidity risk on a quarterly basis.

Pursuant to the Scheme of Amalgamation of L&T Housing Finance Limited (LTHF) and L&T Infrastructure Finance Company Limited (LTIF) into L&T Finance Limited (LTF) being approved by the National Company Law Tribunal ("NCLT") and by the Board of LTF, disclosures have been prepared on a merged basis.

Basis the above, the disclosure on liquidity risk for L&T Finance Ltd as at September 30, 2022 is given below:

### **(i) Funding Concentration based on significant counterparty**

<b>Sr. No.</b>	<b>No. of Significant Counterparties</b>	<b>Amount (₹ crore)</b>	<b>% of Total Deposits</b>	<b>% of Total Liabilities</b>
1	21	54,779	N.A.	66%

Notes:

- A "Significant counterparty" is defined as a single counterparty or group of connected or affiliated counterparties accounting in aggregate for more than 1% of the NBFC-NDSI's, NBFC-Ds total liabilities and 10% for other non-deposit taking NBFCs
- Total Liabilities has been computed as Total Assets less Equity share capital less Reserve & Surplus and computed basis extant regulatory ALM guidelines

### **(ii) Top 20 large deposits (amount in ₹ crore and % of total deposits)** – Not Applicable

### **(iii) Top 10 borrowings**

<b>Amount (₹ crore)</b>	<b>% of Total Borrowings</b>
40,901	53%

Note:

- Total Borrowing has been computed as Gross Total Debt basis extant regulatory ALM guidelines.

**(iv) Funding Concentration based on significant instrument / product**

Sr. No.	Name of the product	Amount (₹ crore)	% of Total Liabilities
1	Term Loans	22,825	27%
2	Private Non-Convertible Debentures	26,547	32%
3	Working Capital Bank Lines	16,789	20%
4	Commercial Papers	5,685	7%
5	Public Non-Convertible Debentures	2,638	3%
6	External Commercial Borrowings	2,036	2%
7	Inter Corporate Borrowings	1,216	1%
	<b>Total</b>	<b>77,736</b>	<b>92%</b>

Note:

- A "significant instrument/product" is defined as a single instrument/product of group of similar instruments/products which in aggregate amount to more than 1% of the NBFC-NDSI's, NBFC-Ds total liabilities and 10% for other non-deposit taking NBFCs.
- Total Liabilities has been computed as Total Assets less Equity share capital less Reserve & Surplus and computed basis extant regulatory ALM guidelines.

**(v) Stock Ratios:**

Sr. No.	Stock Ratio	%
1	Commercial papers as a % of total liabilities	7%
2	Commercial papers as a % of total assets	6%
3	Non-convertible debentures (original maturity of less than one year) as a % of total liabilities	0%
4	Non-convertible debentures (original maturity of less than one year) as a % of total assets	0%
5	Other short-term liabilities as a % of total liabilities	29%
6	Other short-term liabilities as a % of total assets	24%

Note:

- Commercial Paper for stock ratio is the Gross outstanding (i.e. Maturity amount).
- Other Short-term Liabilities has been computed as Total Short-term Liabilities less Commercial paper less Non-convertible debentures (Original maturity of less than one year), basis extant regulatory ALM guidelines.

**(vi) Institutional set-up for Liquidity Risk Management**

The Board of Directors of the Company has an overall responsibility and oversight for the management of all the risks, including liquidity risk, to which the Company is exposed to in the course of conducting its business. The Board approves the governance structure, policies, strategy and the risk limits for the management of liquidity risk. The Board of Directors approves the constitution of the Risk Management Committee (RMC) for the effective supervision,

evaluation, monitoring and review of various aspects and types of risks, including liquidity risk, faced by the Company. The meetings of RMC are held at quarterly interval. Further, the Board of Directors also approves constitution of Asset Liability Committee (ALCO), which functions as the strategic decision-making body for the asset-liability management of the Company from risk-return perspective and within the risk appetite and guard-rails approved by the Board. The main objective of ALCO is to assist the Board and RMC in effective discharge of the responsibilities of asset-liability management, market risk management, liquidity and interest rate risk management and also to ensure adherence to risk tolerance/limits set up by the Board. ALCO provides guidance and directions in terms of interest rate, liquidity, funding sources, and investment of surplus funds. ALCO meetings are held once in a month or more frequently as warranted from time to time. The minutes of ALCO meetings are placed before the RMC and the Board of Directors in its next meeting for its perusal/approval/ratification.

**(vii) Disclosure on Liquidity Coverage Ratio**

**Background:**

RBI has issued final guidelines on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies on November 04, 2019. As per the said guidelines, LCR requirement shall be binding on all non-deposit taking systemically important NBFCs with asset size of ₹ 10,000 crore and above from December 1, 2020, with the minimum LCR to be 50%, progressively increasing, till it reaches the required level of 100%, by December 1, 2024, as per the time-line given below:

From	December 1, 2020	December 1, 2021	December 1, 2022	December 1, 2023	December 1, 2024
Minimum LCR	50%	60%	70%	85%	100%

Further, NBFC are required to publicly disclose the information related to Liquidity Coverage Ratio on a quarterly basis. Accordingly, the disclosure on Liquidity Coverage Ratio of L&T Finance Limited for Q2-FY2023 is as under:

LCR Disclosure		Q2-FY2023	
(Rs. in Crore)		Total Unweighted <sup>1</sup> Value	Total Weighted <sup>2</sup> Value
<b><u>High Quality Liquid Assets</u></b>			
1	Total High Quality Liquid Assets (HQLA)	1,874.82	1,874.82
	Cash in hand & Bank Balance	370.73	370.73
	Treasury Bills / G Sec (including Lending Under CBLO / TREPS Platform)	1,504.09	1,504.09
<b><u>Cash Outflows</u></b>			
2	Deposits (for deposit taking companies)	-	
3	Unsecured wholesale funding	3,930.57	4,520.16
4	Secured wholesale funding	1,151.67	1,324.42
5	Additional requirements, of which	-	-

(i)	<i>Outflows related to derivative exposures and other collateral requirements</i>	-	-
(ii)	<i>Outflows related to loss of funding on debt products</i>	-	-
(iii)	<i>Credit and liquidity facilities</i>	-	-
6	Other contractual funding obligations	480.34	552.39
7	Other contingent funding obligations	111.30	128.00
8	<b>TOTAL CASH OUTFLOWS</b>	<b>5,673.88</b>	<b>6,524.97</b>
<b>Cash Inflows</b>			
9	Secured lending	-	-
10	Inflows from fully performing exposures	1,871.44	1,403.58
11	Other cash inflows <sup>3</sup>	10,844.22	8,133.17
12	<b>TOTAL CASH INFLOWS</b>	<b>12,715.66</b>	<b>9,536.74</b>
			Total Adjusted value
13	<b>TOTAL HQLA</b>		<b>1,874.82</b>
14	<b>TOTAL NET CASH OUTFLOWS OVER THE NEXT 30 DAYS</b> (Weighted value of Total Cash Outflows – Minimum of (Weighted value of Total Cash Inflows, 75% of Weighted value of Total Cash Outflows))		<b>1,631.24</b>
15	<b>LIQUIDITY COVERAGE RATIO (%)<sup>4</sup></b>		<b>115%</b>

Notes:

1. Unweighted values calculated as outstanding balances maturing or callable within one month (for inflows and outflows). Averages are calculated basis simple average of daily observations for Q2-FY2023
2. Weighted values calculated after the application of respective haircuts (for HQLA) and stress factors on inflow (75%) and outflow (115%)
3. Other cash inflows amongst others includes liquidity maintained in the form of Liquid Mutual funds, Fixed deposit placed with banks as well as available undrawn funding lines.
4. All of the HQLA, cash inflows and outflows are in rupee terms and there is no currency mismatch