# L&T Finance

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|---|---|
| Estimate changes | ↔ |
| TP change | ↑ |
| Rating change | ↔ |

| | |
|---|---|
| Bloomberg | LTF IN |
| Equity Shares (m) | 2500 |
| M.Cap.(INRb)/(USDb) | 751 / 8.3 |
| 52-Week Range (INR) | 329 / 131 |
| 1, 6, 12 Rel. Per (%) | 1/45/100 |
| 12M Avg Val (INR M) | 1552 |

**Financials Snapshot (INR b)**

| Y/E March | FY26E | FY27E | FY28E |
|---|---|---|---|
| Total Income | 99.1 | 122.8 | 149.9 |
| PPP | 67.1 | 84.7 | 104.8 |
| PAT | 29.2 | 39.7 | 50.8 |
| EPS (INR) | 11.7 | 15.9 | 20.3 |
| EPS Gr. (%) | 10.4 | 35.9 | 28.0 |
| BV/Sh. (INR) | 111 | 124 | 141 |
| **Ratios** | | | |
| NIM (%) | 9.5 | 9.5 | 9.5 |
| C/I ratio (%) | 40.1 | 38.6 | 37.5 |
| RoAA (%) | 2.2 | 2.6 | 2.7 |
| RoE (%) | 10.9 | 13.5 | 15.4 |
| Payout (%) | 26.0 | 25.0 | 25.0 |
| **Valuation** | | | |
| P/E (x) | 25.6 | 18.9 | 14.7 |
| P/BV (x) | 2.7 | 2.4 | 2.1 |
| Div. Yield (%) | 1.0 | 1.3 | 1.7 |

**Shareholding pattern (%)**

| As On | Dec-25 | Sep-25 | Dec-24 |
|---|---|---|---|
| Promoter | 66.0 | 66.1 | 66.3 |
| DII | 15.3 | 14.3 | 12.2 |
| FII | 6.7 | 6.4 | 5.3 |
| Others | 12.0 | 13.2 | 16.3 |

FII Includes depository receipts

**CMP: INR300 TP: INR370 (+23%) Buy**

## Steady growth with improving credit metrics

**Better product mix will help to sustain healthy NIM and RoA improvement**

- L&T Finance's (LTF) reported 3QFY26 PAT grew 18% YoY to INR7.4b (in line). Excluding the one-time impact of the new labor code, adj. PAT stood at INR7.6b.
- NII grew ~13% YoY to INR25.4b (in line). Opex grew ~7% YoY to ~INR11.4b (in line). Cost-income ratio was broadly stable QoQ at ~39.4%. 3Q opex included a one-time expense related to the new labor code amounting to INR290m (pre-tax). PPoP grew ~18% YoY to ~INR17.4b.
- Credit costs stood at INR7.5b (~10% higher than est.). Reported credit costs (before macro) fell ~15bp QoQ to 2.83% (PQ: 2.98%). LTF did not utilize any macro-prudential provisions during 3QFY26; however, management reiterated its intent to rebuild these buffers at the earliest.
- Credit costs also included a one-time impact of INR230m on account of prudential provisions on co-borrower exposures. Excluding this, the core credit cost stood at 2.74%, down 24bp QoQ. Consol. RoA/RoE (including exceptional expenses) stood at ~2.3%/11.1%.
- LTF expects growth momentum to remain intact across segments, aided by a balanced approach that optimizes yields while containing credit costs. Margins are expected to remain steady, supported by an improving portfolio mix and lower interest reversals. High-yield segments such as micro LAP, personal loans, SME, and gold loans are likely to drive NIM expansion, even as the company has guided for its MFI business to grow at a relatively moderate pace of ~15-20% going forward.
- LTF has guided for a CI ratio of ~40% in the near term, as it will continue to invest in technology, branch expansion, gold loan infrastructure and the rollout of the Sampoorna branch network.
- We estimate a CAGR of ~22% in loan book and ~32% in PAT over FY26-FY28E, with consolidated RoA/RoE of 2.7%/~15.4% in FY28E. We expect LTF to deliver a structural improvement in profitability and RoA from FY27 onward. **Reiterate BUY with a TP of INR370 (based on 2.7x Dec'27E BVPS).**

### Consol NIMs + fees rise ~20bp QoQ; CoB largely stable

- Reported NIMs rose ~15bp QoQ to 8.6%. However, consol. NIMs + fees rose ~20bp QoQ to ~10.4%, driven by the focus on yield improvement, better treasury management and higher fee income.
- CoB declined ~5bp QoQ to 7.25% in 3QFY26.
- Management has guided for NIM + fees to remain in the range of 10-10.5%. We expect LTF to deliver stable NIMs of ~9.5% over FY26-28E.

### Asset quality broadly stable; retail GS3 stands at ~2.8%

- Consol. GS3 declined ~10bp QoQ to ~3.2% and NS3 declined ~5bp QoQ to 0.9%. PCR rose 165bp QoQ to ~72%. Retail GS3 fell 10bp QoQ to 2.8%.