Stock Update

Result Update

MIRAE ASSET Sharekhan

L&T Finance Ltd

Set for comeback

NBFC	Sharekhan code: LTF
Reco/View: Buy ↔	CMP: Rs. 211
Price Target: Rs. 253 ↑	

↑ Upgrade ↔ Maintain ↓ Downgrade

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)		✓	
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

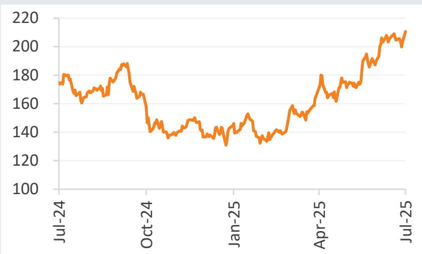
Company details

Market cap:	Rs. 52,602 cr
52-week high/low:	Rs. 213/129
NSE volume: (No of shares)	63.0 lakh
BSE code:	533519
NSE code:	LTF
Free float: (No of shares)	80.0 cr

Shareholding (%)

Promoters	66.2
FII	6.2
DII	14.1
Others	13.6

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	11.1	23.4	44.5	21.3
Relative to Sensex	11.3	19.9	36.1	19.2

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Q1FY26 numbers hint a recovery is on track. Pick-up in business momentum and NIMs surprised.
- Disbursement growth picked up (16.7% y-o-y/17.5%q-o-q) across business segments vs moderation seen in last quarter resulting 15% y-o-y/ 5% q-o-q loan growth.
- Gross credit cost fell from 3.7% versus 3.3% q-o-q but stay high. It expects microfinance segment to normalize by Q4FY26 and has guided for overall credit cost of 2.3–2.5% by Q4-end.
- On an improving growth/profitability, we maintain a Buy rating with a revised PT of Rs. 253. The stock trades at 1.7x/1.6x its FY2026E/FY2027E ABV estimates.

LTF's net profit rose 2.2% y-o-y and 10.2% q-o-q to Rs. 701 crore, in line with estimates, driven by healthy AUM growth and lower credit costs, though Rs. 300 crore was utilised as macro-prudential provisions for the third straight quarter. NII grew 8.4% y-o-y and 6.0% q-o-q to Rs. 2,279 crore, 4.1% above estimates due to higher yield on AUM. NIM came in at 8.91% (% of AUM), up 11 bps q-o-q but down 56 bps y-o-y, beating estimates by 25 bps. Other income rose 3.9% y-o-y and 24.4% q-o-q to Rs. 345 crore, but missed estimates by 9%. Opex increased 1.6% y-o-y and 13.5% q-o-q to Rs. 1,138 crore, 15.4% above estimates. PPoP grew 13.1% y-o-y and 4.3% q-o-q. Credit costs were 15.9% below estimates at Rs. 542 crore (up 38.8% y-o-y, down 12.3% q-o-q), at 2.12% of AUM, 43 bps below estimates. Considering macro-prudential provisions, credit cost would be ~3.3%, significantly above estimates. AUM rose 15.3% y-o-y and 4.7% q-o-q to Rs. 1,02,314 crore, slightly above estimates, led by y-o-y growth in Consumer (41%), Home (29%), LAP (47%), and SME loans (56%), while Rural and two-wheeler loans underperformed. The company entered the gold loan segment, with disbursements rising 16.7% y-o-y and 17.5% q-o-q to Rs. 17,522 crore, including Rs. 1,530 crore in gold loans. Asset quality deteriorated as GS-3 rose 16.6 bps y-o-y and 2 bps q-o-q to 3.31%, while NNPA increased 20 bps y-o-y and 2 bps q-o-q to 0.99%. Project Cyclops is progressing well, with full implementation expected in Farm Equipment Finance by Q2FY26 and Personal Loans by Q3FY26. The company received its debut Investment Grade Credit Rating, enabling access to global capital markets for improved funding.

Key positives

- NIM beat estimates by 25 bps at 8.91% (percentage of AUM), up by 11 bps (q-o-q) and down by 56 bps (y-o-y).
- Disbursements witnessed a healthy growth of 16.7%/17.5% (y-o-y/q-o-q) to Rs. 17,522 crore.

Key negatives

- Opex to assets ratio was high at 1.11% versus 1.03% in Q4FY25.
- The company utilised macro-prudential provisions of Rs. 300 crore.

Management Commentary

- **AUM and Growth:** Management expects business momentum to improve with decent growth in Q2, followed by a strong acceleration in H2FY26, particularly during festive season. Overall, AUM growth is expected at 25% CAGR over the next four years.
- **NIM:** As the management focuses on prime segments, implementing project Cyclops and Guardrail 2.0 hence there would be impact on yield by 30-50 bps. Hence management focuses on risk-adjusted yields rather than just yields. So, improvement in risk will drive up risk-adjusted yields by 50-100 bps.
- **Return ratios:** Company expects to achieve an RoA of 2.5% in Q4FY26 and 2.8% for FY27.
- **Credit Cost:** Average credit cost is expected at around 2.3-2.5% for FY26.
- **Gold loan expansion plans:** The company forayed into the gold loan segment through an acquisition. Further, the management plans to add 175 branches in FY26. Overall, it eyes over 300 gold loan branches by FY26-end.
- The company expects significant security receipts (SR) resolutions in FY27 and FY28 and it will build macro-prudential provisions with the proceeds.
- Karnataka Collection issue – Collections in Karnataka are expected to improve going forward and the situation is expected to be normal in 2-3 months. Tamil Nadu legislation is expected to have negligible impact.

Our Call

Valuation – Maintain Buy with a revised PT of Rs. 253: Company expects normalcy in microfinance segment by Q4FY26 and guided for overall credit cost trajectory to be around 2.3-2.5% by the end of Q4. Besides, management expects business momentum to improve with decent growth in Q2, followed by strong acceleration in H2FY26 led by strong rural demand aided by good monsoon, improving collection efficiency trends across portfolio, expanding the footprint and cross-sell through new products. We expect AUM/PAT CAGR of 22%/25% for FY25-27. RoA/RoE is expected to improve to 2.7%/14.0% in FY27. The stock trades at 1.7x/1.6x its FY2026E/FY2027E ABV estimates. On an improving growth/profitability, we maintain a Buy rating with a revised PT of Rs. 253. The stock trades at 1.7x/1.6x its FY2026E/FY2027E ABV estimates.

Key Risks

Asset quality risk, slower growth due to calibration of portfolio, lower margins.

Valuation (Consolidated) Rs cr

Particulars	FY23	FY24	FY25	FY26E	FY27E
NII	6,768	7,536	8,667	9,972	12,465
PAT	1,958	2,316	2,643	3,310	4,287
EPS (Rs.)	9.0	9.2	10.6	12.8	17.1
P/E (x)	23.2	22.5	19.6	16.2	12.2
P/BV (x)	2.0	2.2	2.0	1.7	1.6
ROA	1.8%	2.2%	2.4%	2.5%	2.7%
ROE (%)	9.4%	10.3%	10.8%	11.9%	13.6%

Source: Company; Mirae Asset Sharekhan estimates

Key result highlights

- **NIM outlook:** NII grew by 8.4% y-o-y and 6.0% q-o-q to Rs. 2,279 crore. NIM came in at 8.91% (% of AUM), up by 11 bps q-o-q but down by 56 bps y-o-y. As the management focuses on prime segments, implementing Project Cyclops and Guardrail 2.0, hence there would be impact on yield by 30-50 bps yields. However, management focuses on risk-adjusted yields rather than just yields. So, improvement in risk will help to grow risk-adjusted yields by 50-100 bps.
- **Asset quality and credit cost:** Asset quality slightly deteriorated eased, GS-3 rose by 17 bps y-o-y and 2 bps q-o-q to 3.31%. NNPA increased by 20 bps y-o-y and 2 bps q-o-q to 0.99%. Credit costs below estimates by 15.9% to Rs. 542 crore. (up by 38.8% y-o-y and down 12.3% q-o-q). It came in at 2.12% (% of AUM), 43 bps below estimates. In view of the Karnataka issue, the company utilized macro-prudential provisions, if this considered as credit cost then it would have been ~3.29%, which is significantly higher than estimates. Further, asset quality is expected to improve and credit cost will be lower.
- **Loan growth:** AUM grew 15.3% y-o-y and 4.7% q-o-q to Rs. 1,02,314 crore, slightly above estimates driven by growth in Consumer (41%), home (29%), LAP (47%) and SME loans (56%) y-o-y. However, rural loans and two-wheeler loans underperformed. The company also forayed into the gold loan segment. Disbursement grew 16.7% y-o-y and 17.5% q-o-q to Rs. 17,522 crore. The gold loan disbursement stood at Rs. 1,530 crore. Management expects business momentum to improve with decent growth in Q2, followed by strong acceleration in H2 FY26, particularly during festive season. Overall, AUM growth is expected at 25% CAGR over the next four years.

Results (Consolidated) **Rs cr**

Particulars	Q1FY25	Q4FY25	Q1FY26	Y-o-Y %	Q-o-Q %
Interest Income	3,453	3,750	3,915	13.4%	4.4%
Interest Expenses	1,351	1,600	1,636	21.0%	2.2%
NII	2,101	2,150	2,279	8.4%	6.0%
Other Income	332	277	345	3.9%	24.4%
Total Income	2,433	2,427	2,624	7.8%	8.1%
Opex	1,120	1,003	1,138	1.6%	13.5%
PPOP	1,313	1,424	1,486	13.1%	4.3%
P&C	391	618	542	38.8%	-12.3%
PBT	923	806	943	2.2%	17.1%
Tax	237	170	243	2.3%	42.9%
PAT	685	636	701	2.2%	10.2%
Disbursements	15,019	14,914	17,522	16.7%	17.5%
AUM	88,717	97,762	1,02,314	15.3%	4.7%

Source: Company; Mirae Asset Sharekhan Research

Actual Vs. Estimates Rs cr

Particulars	Q1FY26E	Q1FY26A	Variance (%)
NII	2,188	2,279	4.1%
PPOP	1,581	1,486	-6.0%
PAT	708	701	-1.1%

Source: Company; Mirae Asset Sharekhan Research

Key Metrics

Particulars	Q1FY25	Q4FY25	Q1FY26	yoy (bps)	qoq (bps)
NII as % of AUM	9.47%	8.80%	8.91%	-56	11
Fee income % of AUM	1.50%	1.13%	1.35%	-15	21
OpEx as % of AUM	5.05%	4.11%	4.45%	-60	34
Prov as % of AUM	1.76%	2.53%	2.12%	36	-41
Tax Rate	1.07%	0.69%	0.95%	-12	25

Source: Company; Mirae Asset Sharekhan Research

Asset Quality

Particulars	Q1FY25	Q4FY25	Q1FY26	y-o-y (bps)	q-o-q (bps)
GNPA	3.14%	3.29%	3.31%	16.6	2.0
NNPA	0.79%	0.97%	0.99%	20.0	2.0

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

Sector Outlook

Demand for retail assets has been moderated and asset-quality slightly moved up. MFI and unsecured vertical have not been performing well over the last couple of quarters due to overleveraging, and regulatory headwinds. However, it is likely to improve in H2FY26 due to improving conditions in the MFI space, policy support, reduction in the repo rate and improving system liquidity. NBFCs having a diverse product offering, strong credit underwriting, healthy liquidity buffers, strong risk management framework, healthy liability franchise, and well-capitalised balance sheet are well poised for growth.

Company Outlook – Working on Strateiges amid tough time in the MFI industry and regulatory headwinds

LTF has transformed itself into a retail franchise. The company is realigning its strategies by repositioning its portfolio growth from product-based to customer-centric. It is focusing on cross-selling, up-selling along with using deep analytics to understand various nuances like business selection, dealer selection, sale volumes, market positioning in various segments, portfolio vintage including customer behaviour, counter share performance, and distribution network, which are key positives. For improving on operational front, it has been investing on marketing and technologies along with process improvements. On segmental level, the MFI segment has been facing challenging time (25% contribution for overall portfolio). However, the company has been tightening filter in the MFI segment also balancing its strategies to manage the tough time. Overall, except the MFI portfolio, the company's other segments retail focused has been doing well and also improving on the process systems.

Valuation – Maintain Buy with a revised PT of Rs. 253

Company expects normalcy in microfinance segment by Q4FY26 and guided for overall credit cost trajectory to be around 2.3-2.5% by the end of Q4. Besides, management expects business momentum to improve with decent growth in Q2, followed by strong acceleration in H2FY26 led by strong rural demand aided by good monsoon, improving collection efficiency trends across portfolio, expanding the footprint and cross-sell through new products. We expect AUM/PAT CAGR of 22%/25% for FY25-27. RoA/RoE is expected to improve to 2.7%/14.0% in FY27. The stock trades at 1.7x/1.6x its FY2026E/FY2027E ABV estimates. On an improving growth/profitability, we maintain a Buy rating with a revised PT of Rs. 253. The stock trades at 1.7x/1.6x its FY2026E/FY2027E ABV estimates.

Peer valuation

Particulars	CMP (Rs / Share)	MCAP (Rs Cr)	P/E (x)		P/B (x)		RoE (%)		RoA (%)	
			FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
L&T Finance Ltd	211	52,602	16.2	12.2	1.7	1.6	11.9	13.6	2.5	3.0
M&M Finance	263	36,577	11.9	9.9	1.5	1.3	13	14	1.9	2.0

Source: Company; Mirae Asset Sharekhan Research

About company

LTFH is one of the leading non-banking financial companies (NBFCs) in India. LTFH has strategically re-aligned its business mix towards retail. The company lends across 2W finance, tractor finance, microfinance, home loans/LAP, farm equipment, consumer loans, SME loans etc. The company is rated AAA by CARE, ICRA, CRISIL, and India Ratings.

Investment theme

LTFH has strategically re-aligned its business mix towards retail. Benefitting from a strong parentage, the company has access to funds at competitive rates. Accelerating retail growth will support earnings going forward. As we know that FY25 was challenging in year and expect elevated credit cost in H1FY26. However, the company would improve on AUM growth and reduce its credit cost in H2FY26, driving the return ratios of the company.

Key Risks

Asset quality risk, slower growth due to calibration of portfolio, lower margins.

Additional Data

Key management personnel

Name	Designation
Sudipta Roy	Chief Executive Officer
Sachinn Joshi	Chief Financial Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Larsen & Toubro Ltd	66.16
2	Citigroup Global Markets Mauritius	3.83
3	Mirae Asset Financial Group	3.52
4	Life Insurance Corp of India	1.70
5	Invesco Asset Management India Pvt	1.65
6	Tata AIA Life Insurance Co Ltd	1.58
7	ICICI Prudential Life Insurance Co	1.47
8	Vanguard Group Inc/The	1.33
9	L&T Employees Trust	1.26
10	DSP Investment Managers Pvt Ltd	0.85

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

DISCLAIMER

This information/document has been prepared by Sharekhan Ltd. and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation, and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to change without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, and outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply to information/documents focused on technical and derivatives research and shall not apply to reports/documents/ information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. Mirae Asset Sharekhan will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable, and Mirae Asset Sharekhan has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on a reasonable basis, Mirae Asset Sharekhan, its subsidiaries and associated companies, their directors, and employees ("Mirae Asset Sharekhan and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent Mirae Asset Sharekhan and its affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance, and the value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Mirae Asset Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Mirae Asset Sharekhan and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restrictions.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in the securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of Mirae Asset Sharekhan. The analyst and Mirae Asset Sharekhan further certifies that either he or his relatives or Mirae Asset Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and Mirae Asset Sharekhan encourage independence in research report/ material preparation and strive to minimize conflict in the preparation of the research report. The analyst and Mirae Asset Sharekhan do not have any material conflict of interest or have not served as officers, directors or employees or engaged in market-making activity of the company. The analyst and Mirae Asset Sharekhan have not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd, or its associates, or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from a third party in the past twelve months in connection with the research report.

Either Mirae Asset Sharekhan or its affiliates or its directors or employees/representatives/clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. Mirae Asset Sharekhan may from time to time solicit from, or perform investment banking or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall Mirae Asset Sharekhan, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance, and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Sharekhan Ltd and its affiliates undertake no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgment before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Mirae Asset Sharekhan has been ranked as India's No.1 Retail Broker by Asiamoney Brokers Poll 2023. For more details, visit bit.ly/AsiamoneyPoll

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

---

Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

For any complaints/ grievances, email us at igc@sharekhan.com, or you may even call the Customer Service desk on 022-41523200/ 022-61151111.