




L&T Finance Limited

Sector: NBFC

31th October, 2025

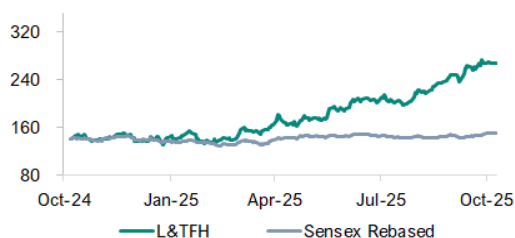
HOLD

Key Changes		Target 	Rating 	Earnings 		Target	Rs. 298
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs. 270
Mid Cap	LTFH:IN	83,939	LTF	533519	12 Months	Return	+10%

Data as of: 31-October-2025, 16:00 hrs

Company Data			
Market Cap (Rs. cr)	67,644		
52 Week High — Low (Rs.)	274 - 129		
Outstanding Shares (cr)	250.0		
Free Float (%)	32.5		
Dividend Yield (%)	1.0		
6m average volume (cr.)	0.8		
Beta	1.8		
Face value (Rs.)	10.0		
Shareholding (%)	Q4FY25	Q1FY26	Q2FY26
Promoters	66.2	66.2	66.1
FII's	5.5	6.2	6.4
MFs/Insti	13.3	14.1	14.3
Public	12.5	11.4	11.0
Others	2.5	2.1	2.2
Total	100.0	100.0	100.0
Promoter Pledge	0.0	0.0	0.0
Price Performance	3 Month	6 Month	1 Year
Absolute Return	30.3%	54.2%	90.1%
Absolute Sensex	3.4%	6.3%	6.1%
Relative Return	26.9%	47.9%	84.1%

*over or under performance to benchmark index



Y.E March (cr)	FY25A	FY26E	FY27E
Net Interest Income	8,667	10,176	12,536
<i>Growth (%)</i>	<i>15.0</i>	<i>17.4</i>	<i>23.2</i>
<i>NIM (%)</i>	<i>8.7</i>	<i>9.0</i>	<i>10.2</i>
Pre-Provision Profit	5,685	6,658	8,005
Net Profit	2,644	3,007	3,951
<i>Growth (%)</i>	<i>13.9</i>	<i>13.7</i>	<i>31.4</i>
Adj. EPS	10.6	12.0	15.8
<i>Growth (%)</i>	<i>13.7</i>	<i>13.5</i>	<i>31.4</i>
BVPS	102.5	111.6	124.7
P/E	14.5	22.2	16.9
P/B	1.5	2.4	2.1
<i>RoE (%)</i>	<i>10.8</i>	<i>11.2</i>	<i>13.4</i>
<i>RoA (%)</i>	<i>2.4</i>	<i>2.3</i>	<i>2.8</i>

Recovery expected, guidance favourable

L&T Finance Ltd (LTF) provides financial products and services in the corporate, infrastructure and retail sectors. It also offers fund products and investment services.

- In Q2FY26, LTF's interest income grew 10.5% YoY to Rs. 4,037cr, driven by a growth in yield, which rose to 15.38% from 14.62% in Q2FY25. Despite interest expenses increasing 10.7% YoY to Rs. 1,634cr, net interest income expanded 10.3% YoY to Rs. 2,403cr.
- However, the net interest margin shrank 52bps YoY to 8.42% due to a change in mix. The decline was partly offset by lower credit costs.
- Pre-provisioning profit remained flat YoY at Rs. 1,494cr during Q2FY26 owing to higher operating expenses, which rose 14.1% YoY.
- The calculated cost-to-income ratio was 44.68% in Q2FY26 (41.51% in Q2FY25).
- LTF's profit after tax surged 5.6% YoY to Rs. 735cr, supported by higher net interest income and lower provisions (-8.2% YoY).
- Consolidated asset quality deteriorated due to macro and segment-specific challenges in the microfinance segment. Gross stage 3 assets (GS3) increased to 3.29% in Q2FY26 from 3.19% in Q2FY25, while net stage 3 (NS3) rose to 1.00% from 0.96%.

Outlook & Valuation

The company recorded its highest-ever profit after tax and retail disbursements, demonstrating its strong positioning was likely to help it capitalise on opportunities and navigate potential headwinds. LTF is expected to improve its asset quality, with operating expenses and credit costs anticipated to decline from current levels, which should help enhance performance. Furthermore, the company remains committed to acquiring high-quality customers through technology-driven underwriting and stringent credit controls, while maintaining strong collection efficiency across segments. To drive growth, LTF is focused on expanding its customer base by deepening penetration in existing segments and broadening its geographic presence. But due to expensive valuation, **we maintain our rating on the stock at HOLD, based on 2.4x FY27E BVPS with a revised target price of Rs. 298.**

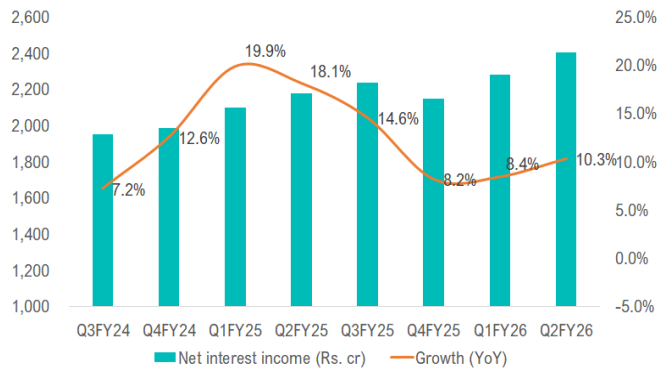
Quarterly Finance Consolidated

R.s.cr	Q2FY26	Q2FY25	YoY Growth (%)	Q1FY26	QoQ Growth (%)	H1FY26	H1FY25	YoY Growth (%)
Net Interest Income	2,403	2,178	10.3	2,279	5.5	4,682	4,279	9.4
Total Income	4,336	4,024	7.7	4,260	1.8	8,595	7,809	10.1
Total Expenditure	2,841	2,534	12.1	2,774	2.4	5,615	5,006	12.2
Pre-Provision Profit	1,494	1,490	0.3	1,486	0.6	2,980	2,803	6.3
PBT	989	940	5.2	943	4.8	1,932	1,862	3.8
Rep. PAT	735	696	5.6	701	4.8	1,436	1,381	4.0
Adj PAT	735	696	5.6	701	4.8	1,436	1,381	4.0
EPS (Rs.)	2.9	2.8	5.3	2.8	4.7	5.7	5.5	3.7

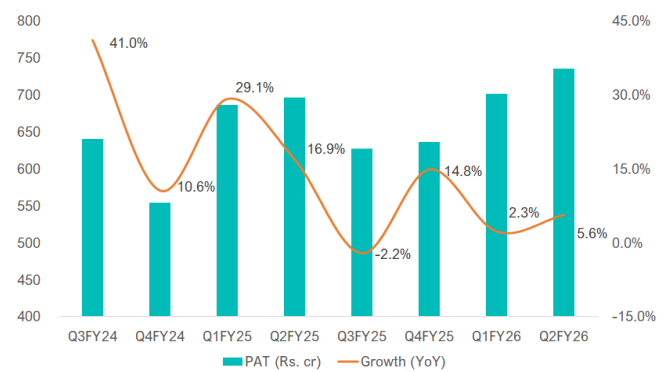
Key Concall Highlights

- The consolidated loan book has grown to Rs. 1,07,096cr, representing a 15% YoY increase. The retail book, in particular, has grown significantly, reaching Rs. 1,04,607cr, an 18% YoY increase.
- LTF is targeting 25% growth in assets under management, with 15% growth in the microfinance segment for FY26. The company expects a gross non-performing asset to net non-performing asset ratio of 3% and 1%, respectively, in FY26. NIM + Fee income guidance is maintained at 10-10.5%.
- LTF has made the highest-ever retail disbursements for the quarter ended September 30, 2025, with a total Rs 18,883cr, representing a 25% YoY increase.
- Retailisation stands at 98%. Return on assets for Q2FY26 is 2.41%.
- The company added 6.6 lakh new customers, bringing its customer base to approximately 2.7cr.
- It plans to expand its geographical presence by opening 200 new branches, focusing on areas with high cross-sell potential. Additionally, it aims to have over 330 branches for gold loans by end-FY26.

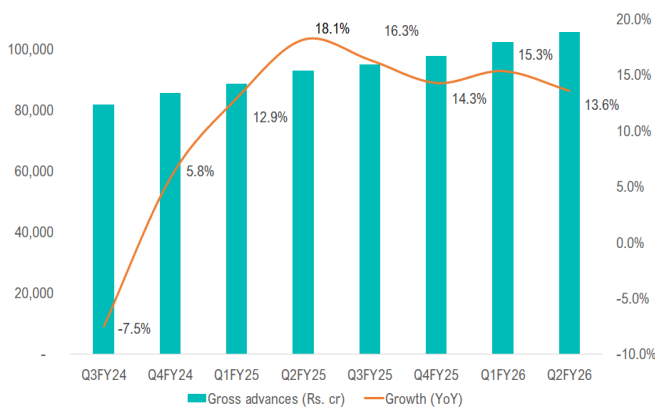
Net Interest Income



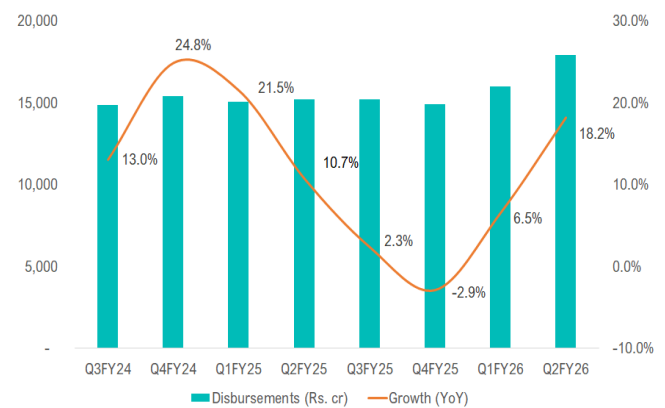
PAT



Gross advances



Disbursements



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Interest Income	10,032	11,671	10,176	12,536	1.4	7.4
Net Interest Margin	8.8	9.5	9.0	10.2	15.5	66.1
Pre-Provision Profit	6,573	7,643	6,658	8,005	1.3	4.7
Net Profit	3,156	3,815	3,007	3,951	-4.7	3.6
EPS	12.7	15.3	12.0	15.8	-5.3	3.3



Consolidated Financials

Profit & Loss

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Interest Income	12,565	12,914	14,663	17,272	20,541
Interest Expense	5,797	5,377	5,997	7,096	8,005
Net Interest Income	6,768	7,537	8,667	10,176	12,536
% Change	13.7	11.4	15.0	17.4	23.2
Non-Interest Income	737	1,137	1,278	1,506	1,868
Net Income	7,504	8,674	9,944	11,682	14,404
Total Income	13,302	14,051	15,941	18,778	22,409
Operating Expenses	3,814	4,322	4,260	5,024	6,399
Total Expenditure	9,611	9,700	10,256	12,120	14,404
Pre-Provisioning Profit	3,691	4,351	5,685	6,658	8,005
Provisions	1,560	1,322	2,193	2,684	2,782
Profit Before Tax	2,131	3,029	3,491	3,974	5,223
Tax	172	712	848	968	1,272
Tax Rate (%)	8.1	23.5	24.3	24.4	24.4
Minority Interests	-87	-3	-0	-0	-0
Net Profit	1,623	2,320	2,644	3,007	3,951
% Change	51.7	42.9	13.9	13.7	31.4
Adj.	422	0	0	0	0
Adj. Net Profit	2,045	2,320	2,644	3,007	3,951
No. of Shares (cr)	248	249	249	250	250
Adj. EPS (Rs.)	8.2	9.3	10.6	12.0	15.8
% Change	134.6	13.1	13.7	13.5	31.4
DPS	2.0	2.5	2.8	2.8	2.8

Balance Sheet

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash & Balances	12,749	4,676	10,833	11,813	12,876
Investments	14,366	12,385	11,876	12,832	13,089
Advances	75,155	81,359	93,773	108,777	112,040
Fixed Assets	557	555	686	848	1,049
Other Assets	3,535	3,742	3,241	3,306	3,372
Total Assets	106,362	102,718	120,409	137,577	142,427
Capital	2,480	2,489	2,495	2,507	2,520
Reserves & Surplus	19,049	20,950	23,069	25,390	28,650
Borrowings	80,306	74,063	90,539	98,688	108,556
Other Liabilities	4,527	5,217	4,306	10,992	2,700
Total Liabilities	106,362	102,718	120,409	137,577	142,427
BVPS	86.7	94.2	102.5	111.6	124.7
Adj. BVPS	82.2	91.6	98.8	108.0	121.7
% Change	11.1	11.5	7.9	9.3	12.6

Ratio

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Valuation					
P/E (x)	10.0	17.0	14.5	22.2	16.9
P/BV (x)	0.9	1.7	1.5	2.4	2.1
Div. Yield (%)	2.4	1.6	1.8	1.0	1.0
Profitability & Return (%)					
Yield on Advances	13.7	14.1	14.7	15.2	16.7
Cost of Deposits	7.2	7.0	7.3	7.5	7.7
Spread	6.5	7.1	7.4	7.7	8.9
NIM (calculated)	7.1	8.7	8.7	9.0	10.2
ROE	7.8	10.3	10.8	11.2	13.4
ROA	1.5	2.2	2.4	2.3	2.8
Asset Quality (%)					
GNPA	4.7	3.2	3.3	3.0	3.0
NNPA	1.5	0.8	1.0	0.8	0.7
Operating Ratios (%)					
Cost/Income	50.8	49.8	42.8	43.0	44.4



Recommendation Summary - (last 3 years)



Dates	Rating	Target
30-May-23	BUY	119
9-Aug-23	HOLD	133
1-Nov-23	HOLD	143
31-Jan-24	ACCUMULATE	186
5-Nov-24	ACCUMULATE	160
19-May-25	ACCUMULATE	195
28-Jul-25	HOLD	225
31-Oct-25	HOLD	298

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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