BUY (Upgrade from ADD)

CMP: **INR 321** Target Price: **INR 370 (INR 315)** ▲ 15%

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12 July 2026

India | Equity Research | Results Update

L&T Finance

NBFCs

Consistent performance; RoE inches up 100bps QoQ and RoA rises 8bps QoQ

L&T Finance (LTF) has demonstrated consistent performance, achieving YoY PAT growth of >20% and an average PAT growth of 25% for the past 14 quarters. Moreover, RoA has remained steady in the 2.1-2.5% range over the same period. Going ahead, the Lakshya 2031 plan seeks to deliver >20% book growth, <2% credit cost, an RoA of 300-320bps and an RoE of 16-18% (building upon an RoA of 237bps and an RoE of 11.25% in FY26). The successful implementation of Project Cyclops and Nostradamus could bolster LTF's structural credit cost improvements, aiding its profitability to achieve Lakshya 2031 goals.

Given the better-than-anticipated performance in Q1, we have raised our EPS estimate by 2%/4% for FY27/28E, respectively, and now expect LTF to report earnings and AUM CAGR of ~24% over FY26–28E. Hence, we upgrade our rating to **BUY** (from Add) with a revised TP of INR 370 (vs. INR 315), valuing the stock at 2.7x FY28E (earlier: 2.5x FY27E P/B).

Q1FY27 performance: Robust credit growth and improved asset quality aided RoE expansion

L&T Finance's Q1FY27 result showcased robust performance with consolidated PAT up 12% QoQ and 29% YoY to INR 9.02bn. This growth was driven by robust retail loan book expansion (up 28% YoY), aided by a 36% YoY uptick in disbursements, improved asset quality (credit cost down 10bps QoQ), and the company's ongoing transition to an AI-native lender under its Lakshya 2031 strategy. Overall, RoE was up 100bps QoQ to 12.71% and RoA was up 8bps QoQ to 2.48%.

NIM+fee income to assets was stable QoQ at 10.47%, while opex to assets moderated >10bps QoQ to 4.03%, which aided PPoP to assets expansion by 9bps QoQ to 6.43%. Asset quality also improved with a 2bps QoQ decline in GS3 to 2.86% and a 6bps QoQ decline in NS3 to 0.90%.

Key risks: Challenges to AUM growth due to competition or pricing pressure and higher-than-anticipated credit costs from its overall portfolio.

Financial Summary

Y/E March	FY25A	FY26A	FY27E	FY28E
Net Interest Income	86,665	98,959	1,27,371	1,54,986
PAT	26,434	29,829	37,791	45,713
EPS (INR)	10.6	11.9	15.1	18.3
BVPS (INR)	102	112	124	139
P/E (x)	30.3	27.0	21.3	17.6
P/BV (x)	3.1	2.9	2.6	2.3
Gross Stage - 3 (%)	3.3	2.9	2.6	2.6
Dividend Yield (%)	0.9	0.9	1.1	1.3
RoA (%)	2.4	2.3	2.4	2.5
RoE (%)	10.8	11.1	12.8	13.9

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Market Data

Market Cap (INR)	805bn
Market Cap (USD)	8,444mn
Bloomberg Code	LTF IN
Reuters Code	LTFL.BO
52-week Range (INR)	339 /194
Free Float (%)	34.0
ADTV-3M (mn) (USD)	18.5

Price Performance (%)	3m	6m	12m
Absolute	15.4	7.2	55.4
Relative to Sensex	15.4	14.4	62.1

ESG Score	2024	2025	Change
ESG score	**80.0**	**82.9**	**2.9**
Environment	71.6	73.2	1.6
Social	81.7	83.5	1.8
Governance	81.7	86.0	4.3

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revision (%)	FY27E	FY28E
EPS	2	4

Previous Reports

07-07-2026: NBFC Q1FY27 Preview
27-04-2026: Q4FY26 results review

Credit cost improves 10bps QoQ to 2.54%; GS3 at multi-quarter low

L&T Finance has maintained stable asset quality through tightened credit frameworks, an AI-driven underwriting engine, and a shift towards a ~98% retail-focused loan book. LTF has delivered steady credit cost outcomes despite enduring the adversities of the RBF cycle. Moreover, the availability of macro-prudential provisions has shielded its profitability and resulted in minimum volatility in the company's P&L. In recent quarters, credit costs have significantly declined alongside low, stable Stage 3 asset ratios. For Q1FY27, GS3 came in at 2.86%, improving from the historical range of 300-320bps.

Furthermore, credit cost improved to 2.54%, down 10bps QoQ, moving towards its guided Q4FY27 exit credit cost of 220bps, implying a cumulative further decline of 34bps from current levels over the next three quarters. Overall, asset quality continues to be healthy and on an improving trajectory. Going ahead, we expect credit cost (as a % of average AUM) to remain in the range of 220-240bps for FY27/28E.

AUM growth strong at 6% QoQ, aided by record disbursements

LTF has migrated towards a retail granular franchise, expanding its retail book to 98% from 51% as of FY22-end. As such, LTF appears to be on a high-growth trajectory, with 98% retailisation. With focus on building a high-quality and diversified retail lending franchise, we project an AUM CAGR of ~24% over FY26–28E.

In Q1FY27, LTF reported robust growth, with retail disbursements up 36% YoY to INR 238.5bn, but down 1% QoQ on a high base. Among the various segments, farmer finance and urban finance disbursements inched up 20% and 10% QoQ, respectively.

As a result, the retail loan book expanded by 7% QoQ and 28% YoY to INR 1.28trn, contributing to an overall consolidated loan book of INR 1.30trn. Within the retail segment, growth was broad-based across segments with gold being up 35% QoQ, urban finance up 8% QoQ, RBF up 5% QoQ, SME finance up 4% QoQ and farmer finance up 3% QoQ. Given that retail now constitutes 98% of the overall book, the total book growth of 6% QoQ and 27% YoY closely mirrors the retail book growth.

Lakshya 2031—RoE is expected to reach 16-18% by 2031

Following the conclusion of Lakshya 2026, LTF unveiled its next 5-year strategic plan, 'Lakshya 2031', post its Q4FY26 earnings. The plan targets >20% loan book growth, a credit cost of <2%, 300-320bps of RoA (280-300bps goal in Lakshya 2026 and 2.37% for FY26) and an RoE of 16-18% (11.25% in FY26). So far in Q1FY27, book growth has reached 27% YoY, surpassing the Lakshya 2031 target, while actual Q1FY27 credit cost, RoA and RoE figures are currently being finalised.

Gradually implementing its flagship digital projects across loan segments

LTF is transitioning well towards becoming a risk-first, tech-first retail and diversified NBFC. LTF's flagship AI-driven, next-gen digital credit engine, Project Cyclops, is live and operational for 2W, farm equipment, SME and personal loans. Further, implementation for home loans and LAP is expected to be completed by Q3FY27 and RBF business by Q4FY27. This will cover all retail segments except gold finance by FY27-end.

Furthermore, Project Nostradamus, its AI portfolio management engine, is live and operational for 2W finance and personal loans until Q1FY27 and is expected to expand to farm equipment, SME, personal loans and RBF in FY27.

Exhibit 1: Q1FY27 result review

	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27	YoY %	QoQ %
Income Statement (INR mn)							
Income From Operation	**42,596**	**43,358**	**45,783**	**47,710**	**52,129**	**22**	**9**
Interest Income	39,145	40,374	42,401	44,240	48,949	25	11
Fee income and other income	3,451	2,983	3,382	3,470	3,180	(8)	(8)
Interest expenses	16,357	16,343	17,030	17,470	19,701	20	13
Net Interest Income (NII)	**26,238**	**27,015**	**28,753**	**30,240**	**32,429**	**24**	**7**
Other Income	0	0	32	1	304	NA	43,314
Total Income	**26,239**	**27,015**	**28,785**	**30,241**	**32,732**	**25**	**8**
Operating expenses	10,486	10,680	11,065	12,013	12,668	21	5
Operating profit	**15,753**	**16,335**	**17,720**	**18,228**	**20,064**	**27**	**10**
Provisions	6,320	6,446	7,513	7,489	7,701	22	3
Profit before tax	**9,432**	**9,889**	**10,207**	**10,739**	**12,363**	**31**	**15**
Tax expenses	2,424	2,540	2,542	2,648	3,203	32	21
Profit after tax	**7,014**	**7,348**	**7,392**	**8,041**	**9,025**	**29**	**12**
Balance sheet data (INR mn)	**Q1FY26**	**Q2FY26**	**Q3FY26**	**Q4FY26**	**Q1FY27**	**YoY %**	**QoQ %**
AUM	10,23,140	10,70,960	11,42,840	12,17,290	12,96,340	27	6
Retail	9,98,160	10,46,070	11,19,890	11,95,090	12,75,360	28	7
Others	24,980	24,890	22,950	22,200	20,980	(16)	(5)
Borrowings	9,37,680	9,77,490	10,25,510	10,98,880	11,54,230	23	5
Net Worth	2,55,850	2,63,580	2,71,080	2,79,840	2,82,130	10	1
Disbursements	1,75,220	1,88,970	2,27,010	2,41,070	2,38,520	36	(1)
Asset quality	**Q1FY26**	**Q2FY26**	**Q3FY26**	**Q4FY26**	**Q1FY27**	**YoY %**	**QoQ %**
Gross NPA (INR mn)	33,900	35,210	36,500	35,110	37,040	9	5
Net NPA (INR mn)	9,890	10,460	10,240	11,480	11,370	15	(1)
Gross NPAs (%)	3.31	3.29	3.19	2.88	2.86	-45 bps	-2 bps
Net NPAs (%)	0.99	1.00	0.92	0.96	0.90	-9 bps	-6 bps
Per share metrics (INR)	**Q1FY26**	**Q2FY26**	**Q3FY26**	**Q4FY26**	**Q1FY27**	**YoY %**	**QoQ %**
Book value per share	102.4	105.4	108.3	111.7	112.6	10	1
Earnings per share	2.81	2.94	2.95	3.22	3.60	28	12
Key ratios (%)	**Q1FY26**	**Q2FY26**	**Q3FY26**	**Q4FY26**	**Q1FY27**	**YoY bps**	**QoQ bps**
Yield	14.80	14.62	14.66	14.80	14.81	1 bps	1 bps
Borrowing cost	7.68	7.32	7.25	7.17	7.20	-48 bps	3 bps
Net interest margin	8.24	8.42	8.58	8.78	8.54	30 bps	-24 bps
Fee and other income	1.98	1.80	1.83	1.70	1.93	-5 bps	23 bps
NII + fee/other income	10.22	10.22	10.41	10.48	10.47	25 bps	-1 bps
Operating expenses	4.21	4.05	4.05	4.14	4.03	-18 bps	-11 bps
Pre-provision operating profit	6.01	6.17	6.36	6.34	6.44	43 bps	10 bps
Credit cost	2.23	2.41	2.83	2.64	2.54	31 bps	-10 bps
Opex + credit cost	6.44	6.46	6.88	6.78	6.57	13 bps	-21 bps
Return on assets	**2.37**	**2.41**	**2.31**	**2.40**	**2.48**	**11 bps**	**8 bps**
Return on equity	**10.86**	**11.33**	**11.38**	**11.71**	**12.71**	**185 bps**	**100 bps**

Source: Company data, I-Sec Research

Q4FY26 earnings call takeaways

Guidance

- **Looking at RoA of 2.8% by Q4FY27 exit**
- **Credit cost to reach 200-220bps by Q4FY27 exit**
- NIM + fee likely to remain in the range of 200-220bps
- FY27 is seen as a year wherein foundation has been built
- **Reasonably confident of strong growth trajectory in FY27**
- Hopeful that it can maintain upward momentum in risk calibrated manner in the context of El Nino and geopolitical tensions

Credit cost

- **It will continue with Stage-1 PCR at 80bps until next ECL refresh which would be post Q2FY27 or Q4FY27**
- **Impact on credit cost moderation would be largely due to customer selection via usage of Cyclops**
- Reasonably confident of credit cost trajectory which would be largely Cyclops driven and due to better customer selection
- **Reasonably confident of reaching below 2% credit cost somewhere in FY28**
- **MFI slippages have been coming down**

West Asia war impact

- As of now, there is no visible impact due to West Asia war, But, it continues to be cautious.
- No immediate signal of worsening of asset quality, due to West Asia war, but it will continue to monitor the situation.
- It is cognisant of energy shock which might come at some point of time due to oil prices shock.
- Focus over the past 2 years has been prime customers, who have relatively higher margin of safety

Lakshya 2031 goals

- Aum book growth CAGR of more than 20%
- RoA of 300-320bps
- RoE of 16-18%
- Credit cost of less than 2%

Lakshya 2026 revisit

- 2026 – Outperformed retail book growth by clocking CAGR of 28% vs. target of 25%
- GS3 and NS3 also below guided lines
- Achieving RoA of 280-300bps was missed and came in at ~240bps, due to certain headwinds on MFI portfolio. **Hopeful that it will be able to achieve Lakshay 2026 desired RoA by FY27-exit.**

<u>FY26 guidance revisit</u>

- **In Q4FY25, it had guided on below parameters:**
    - Resumption of growth in RBF and MFI and across all its other business lines as well
    - Granular focus on building opex efficiency as a by-product of Cyclops
    - Enhancing productivity of sales channels
- It has worked on all the above themes during FY26

<u>Security receipts</u>

- SR portfolio now 64% vs. 59% YoY
- Currently, provision released on SR resolved are used to create provisions for the balance SR pool
- As and when portfolio is resolved, which will release marginal RoA into entire earnings stream
- **Retail portfolio is already making higher RoA than consolidated RoA**
- It has total of INR 62bn wholesale portfolio and has INR 48bn of SR portfolio against this
- Currently, INR 48bn is not giving any yield and ~INR 22bn would be giving 11-12
- Expects SR portfolio to get resolved in next 3-4 years' timeframe
- **Any benefit on provision reversal from SR would be utilised towards macro prudential provisions**
- **It has considered any benefit from SR in calculating 16-18% RoE**

<u>Technology</u>

- It will give AI metrics on half yearly basis starting from H1FY27 onwards
- Cyclops has outperformed the industry by a wide margin
- For LTF, front end of AI development is only 15% and to make AI development useful for operating managers, it needs heavy workforce behind it.
- There could be job losses due to AI as efficiency kicks in, but that could be absorbed by other back end or AI tool management roles as per the LTF management.
- Hence, impact of job losses would be there, but it doesn't expect that to be quite massive.

<u>Opex</u>

- Investments in technology and setting up gold loan branches will continue
- **Plan to set-up 150-200 micro loan branches, 150-200 micro LAP branches and another 400 gold loan branches in FY27**
- **Opening of multi-product Sampoorna branches will aid cross sell and improve efficiency**
- Expect opex + credit cost to moderate to 575-600bps over the Lakshya period

<u>Yields</u>

- Personal loans yields is higher than industry average by 200-250bps, primarily due to online originations, which aids LTF fetch higher yields
- Incremental disbursement yield is higher than book yield due to shift in mix

- Expected mix going ahead in coming years (which will aid LTF sustain yields and thereby margins)
    - 20% RBF
    - 15% for PL and gold loans
    - 10-12% Farm and 2W
    - SME 10%
- It is trying to continuously improve yields in personal loans
- 55% home loans and 45% LAP in housing disbursements mix vs. 60% housing earlier, which is also therefore yield accretive

Fee income

- Fee income does not include any MTM losses
- There is a liquidity income includes under fee income, which is volatile depending on the excess liquidity

Customer base

- 28mn unique customer base as of Q4FY26
- Highest quarterly customer addition in Q4FY26

Co-lending

- **It will do more co-lending only when it gets access to new customer pools**
- Co lending is done only on personal loans so far with selected partners
- There can be opportunities in home loans, SME and personal loans
- Co-lending framework are slightly complex to implement

Economy

- Real GDP growth is placed at 7.5% for FY26
- Pickup led by steady private consumption in urban and rural areas and domestic growth remains strong
- Government focus on scaling domestic manufacturing augurs well for India’s long term growth prospects
- As per RBI assessment, strong fundamentals, including sustained growth and low inflation provide India the strength to highlight volatility due to heightened geopolitical uncertainty

Q4FY26 performance

- Concluded FY26 with highest ever PAT at INR 30bn
- Credit cost moderated to 2.64%, down 19bps QoQ

Q3FY26 earnings call takeaways

Guidance

- **NIM + fee income will likely remain in the range of 10-10.5%**
- **Expect credit cost to come down to 200-220bps by Q4FY27**

Credit cost

- **Credit cost trajectory will continue to improve and very much confident to reach 200-200bps by Q4FY27 on a conservative basis**
- **Early impact of Cyclops is showing up well in 2W, SME and farm business and will show up by way of moderation in FY27 credit cost**
- **Every year in Q4, there is an annual reset wherein it revisits ECL model**
- **With reference to RBI guidance relating to provisions for co-borrower, it has resulted in inch up in PCR to 72%**
- Believes that it is relatively higher on PCR front vs. peers
- Objective is to build back macro prudential provisions as early as possible
- It has also started building CGFMU cover in areas, where they believe that
- INR 230mn provisions is one-off towards co-borrower, post RBI interaction
- Many decisions are driven by risk first philosophy
- MFI steady state credit cost modelled around 3%
- 2W business steady state credit cost modelled around 3%
- **Benefits of cyclops will start flowing in and hence models will also consider lower PD and LGD**

Asset quality

- **Abatement of MFI related event specific risk has resulted in nil utilisation of macro prudential provisions**
- **MFI sector was showing greenshoots of recovery in Q2 and this continues in Q3 as well**
- Cons. Gross Stage-3 at 3.19% and Cons. Net Stage-3 at 0.92%
- Gross Slippages for Q2 were lower by around INR 1.6bn vs. Q1
- Gross Slippages for Q3 were lower by around INR 1.9-2bn vs. Q2
- INR 4.7bn write-off for Q3 and bulk of it would be MFI

AUM and Disbursements

- Highest ever quarterly retail disbursements aided by GST 2.0 demand
- 2W disbursements up 28% QoQ
- PL disbursements up 23% QoQ and 11% YoY at INR 35bn, attributed to successful scale-up of big tech partnerships
- Digital partnerships continue to do very well and with every passing month, gross non starter as well as net non-starter continue to improve
- Gross non-starter at 1.9% vs. 3% in August 2025 for personal loans
- It doesn't lend towards BNPL and sub-prime lending in personal loans
- It only operates in prime PL lending with good ticket size
- On 6 MOB and 9 MOB basis, asset quality remains stable for digital PL loans
- **Partner book bounce rate is sub 2% for December 2025, which is lower than 3-4% for pure salaried persona loans**
- Acquired portfolio is loans purchases from market and since it has surplus capital available, it is looking to deploy the same in productive assets
- It will not be looking to give individual loans for consumption

- It is not looking at individual consumption loans, though it is looking to work on micro business loans and it would be a very slow start. In FY27, it might look at some pilot for micro business loans.
- Crossed INR 10bn in micro-LAP

<u>Gold loans</u>

- Disbursements up 43% QoQ at IRN 14bn and book up 18% QoQ
- **Added 64 new gold branches, focused on area with high cross sell potential, of which 11 are Sampoorna branches**
- Setting 1 branch per day for gold loans

<u>Margins</u>

- **Directionally, NIM + fee income would be lower over the medium term, but that will be compensated by decline in opex**
- **NIM + fee income will likely remain in the range of 10-10.5%**
- 19bps sequential improvement in NIM + Fees income driven by continuous focus on yield and fee improvement and efficient liability management
- CP exposure currently at 8% and it can go upto 14-15% as per its ALM
- Trying to optimise yields for 2W, SME, personal loans

<u>Economy</u>

- Indian economy has demonstrated remarkable resilience
- Read GDP saw strong growth of 8.2% for Q2FY26
- 7.4% YoY growth expected for FY26
- Growth in private consumptions aided by rural demand and easing inflation
- Headline inflation below RBI lo tolerance levels for 4 months and expected to remain lower for FY27 as well
- Rabi sowing is near complete and is 2.8% YTD, which bodes well for rural cashflows
- Urban consumption saw strong demand due to GST 2.0 demand and supply bottle necks abating

<u>Digital initiatives</u>

- **Helios has already processed 5k cases and resulted in ~30% reduction in TAT.** This will be slowly implemented across all its business lines.

<u>Security receipts</u>

- INR 50bn on balance sheet
- It will take another 2-3 years for resolution
- **It will give full disclosure in its annual results**
- There is a good amount of resolution in this year

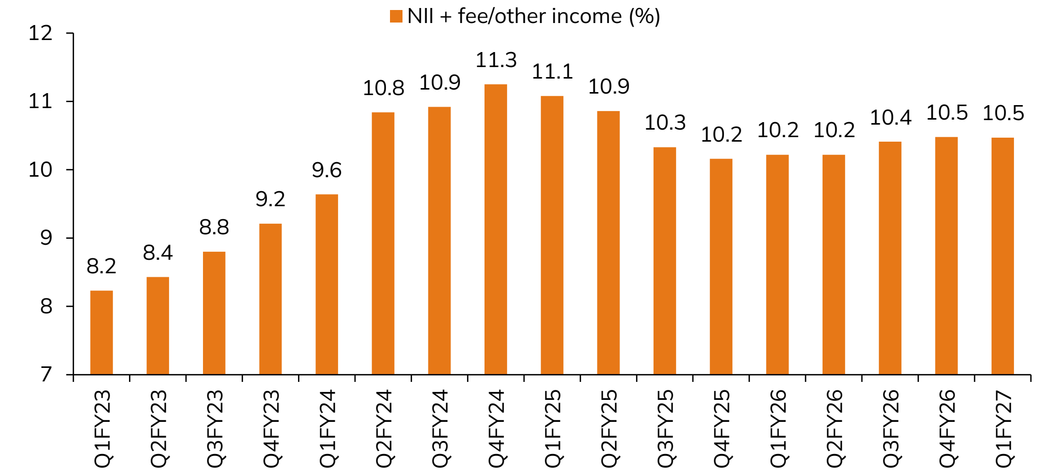
<u>Q3FY26 performance</u>

- INR 760bn core PAT, which is highest ever and up 21% YoY
- RoA of 2.37% and 2.31% adjusted for exceptional item
- Total income up 18% YoY
- PPoP up 25% YoY

<u>Miscellaneous</u>

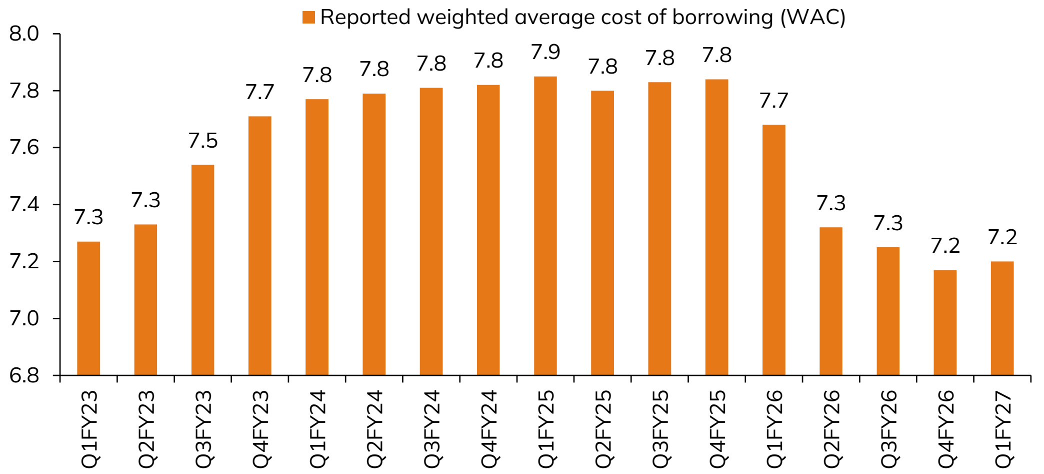
- **Inaugurated first Sampoonra branch in Ujjain during the quarter**
- Onboarded 700k new customers vs. 590k QoQ
- **Continue to achieve towards working on Lakshya 2026 RoA target of 2.8-3%**
- C/I ratio below 39%

Exhibit 2: Margins + fee income up 25bps YoY and flat QoQ at 10.47%



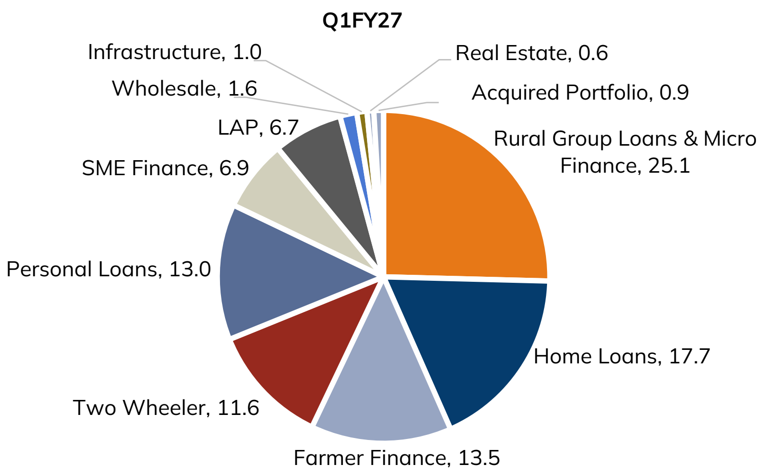
Source: Company data, I-Sec research

Exhibit 3: Cost of borrowings down 48bps in the past 12 months



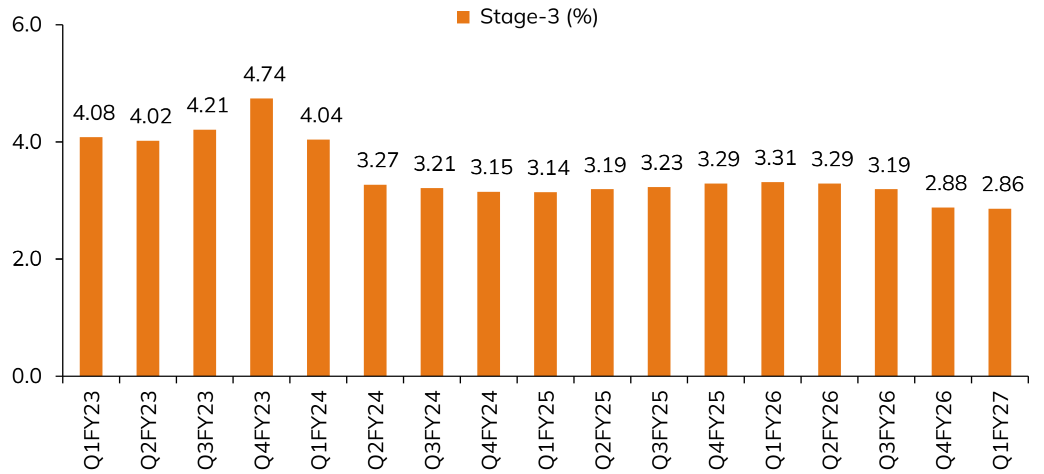
Source: Company data, I-Sec research

Exhibit 4: Broad-based portfolio with >95% retail



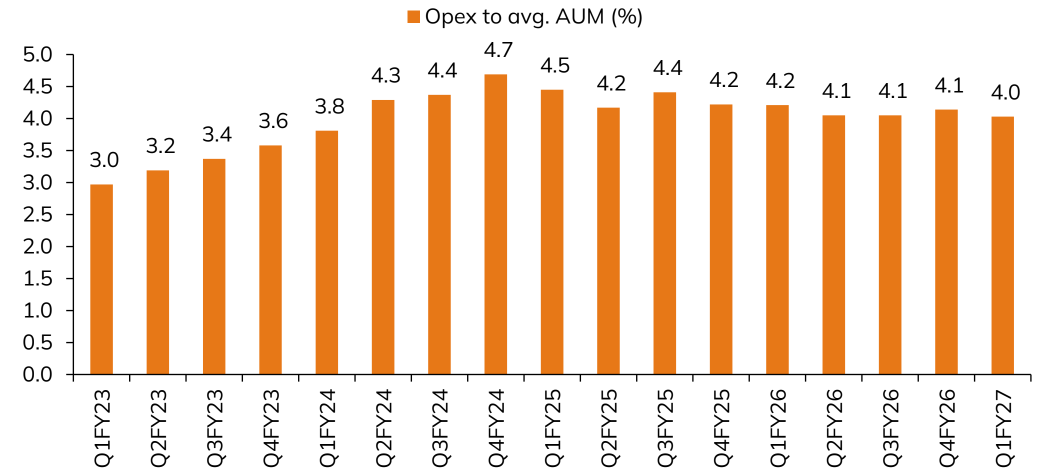
Source: Company data, I-Sec research

Exhibit 5: Gross Stage-3 at multi-quarter low and below 3% as of Mar'26



Source: Company data, I-Sec research

Exhibit 6: Opex to average AUM at 12-quarter low, aided by benefits from AI-led initiatives



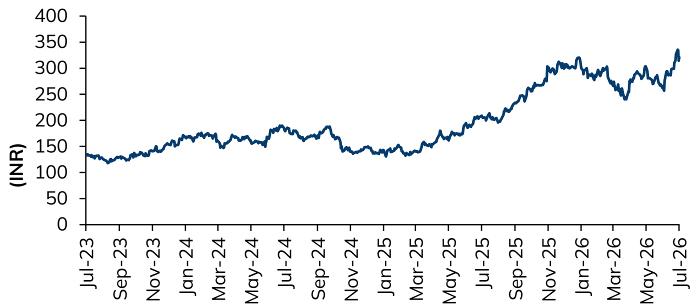
Source: Company data, I-Sec research

Exhibit 7: Shareholding pattern

%	Sep'25	Dec'25	Mar'26
Promoters	66.0	66.0	66.0
Institutional investors	22.0	22.5	22.6
MFs and other	11.9	11.5	11.6
Banks/ FIs	0.2	0.2	0.2
Insurance Cos.	3.3	3.2	3.2
FIIs	6.7	7.6	7.7
Others	12.0	11.5	11.4

Source: Bloomberg, I-Sec research

Exhibit 8: Price chart



Source: Bloomberg, I-Sec research

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Financial Summary

Exhibit 9: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26A	FY27E	FY28E
Interest Income	1,46,633	1,66,160	2,08,110	2,54,688
Interest Expenses	(59,968)	(67,201)	(80,739)	(99,702)
Net Interest Income (NII)	86,665	98,959	1,27,371	1,54,986
Other Income	**167**	**34**	**40**	**44**
Total Income (net of interest expenses)	99,442	1,11,970	1,41,234	1,70,209
Employee benefit expenses	**(22,165)**	**(24,550)**	**(36,774)**	**(48,535)**
Depreciation and amortization	(1,389)	(2,097)	(2,204)	(2,316)
Other operating expenses	(16,292)	(17,597)	(20,239)	(22,670)
Total Operating Expense	(39,846)	(44,244)	(59,217)	(73,521)
Pre Provisioning Profits (PPoP)	59,597	67,726	82,017	96,688
Provisions and write offs	**(24,684)**	**(27,459)**	**(32,478)**	**(36,765)**
Profit before tax (PBT)	**34,913**	**39,982**	**49,539**	**59,923**
Total tax expenses	(8,478)	(10,153)	(11,748)	(14,210)
Profit after tax (PAT)	**26,434**	**29,829**	**37,791**	**45,713**

Source Company data, I-Sec research

Exhibit 10: Balance sheet

(INR mn, year ending March)

	FY25A	FY26A	FY27E	FY28E
Share capital	24,949	25,044	25,044	25,044
Reserves & surplus	2,30,692	2,54,791	2,85,696	3,22,906
Shareholders' funds	**2,55,641**	**2,79,835**	**3,10,740**	**3,47,950**
Borrowings	**9,22,469**	**10,98,877**	**13,29,674**	**16,24,839**
Provisions & Other Liabilities	25,984	43,341	45,483	47,732
Total Liabilities and Stakeholder's Equity	**12,04,094**	**14,22,053**	**16,85,896**	**20,20,521**
Cash and balance with RBI	1,08,329	79,590	83,570	87,748
Fixed assets	**6,860**	**13,695**	**14,380**	**15,099**
Loans	9,37,731	11,78,210	14,78,572	18,20,721
Investments	1,18,760	1,05,638	1,10,920	1,16,466
Other Assets	**32,415**	**44,919**	**(1,546)**	**(19,514)**
Total Assets	**12,04,094**	**14,22,053**	**16,85,896**	**20,20,521**

Source Company data, I-Sec research

Exhibit 11: Key Ratios

(Year ending March)

	FY25A	FY26A	FY27E	FY28E
AUM and Disbursements (INR mn)				
AUM	9,63,600	12,17,290	15,27,615	18,81,112
On-book Loans	9,37,731	11,78,210	14,78,572	18,20,721
Off-book Loans	25,869	39,080	49,042	60,391
Growth (%):				
Total AUM (%)	17.0	26.3	25.5	23.1
Loan book (on balance sheet) (%)	15.3	25.6	25.5	23.1
Total Assets (%)	**17.2**	**18.1**	**18.6**	**19.8**
Net Interest Income (NII) (%)	15.0	14.2	28.7	21.7
Non-interest income (%)	12.0	1.8	6.6	9.8
Total Income (net of interest expenses) (%)	14.6	12.6	26.1	20.5
Operating Expenses (%)	13.6	11.0	33.8	24.2
Employee Cost (%)	22.7	10.8	49.8	32.0
Non-Employee Cost (%)	2.7	8.0	15.0	12.0
Pre provisioning operating profits (PPoP) (%)	15.3	13.6	21.1	17.9
Provisions (%)	15.3	11.2	18.3	13.2
PBT (%)	15.3	14.5	23.9	21.0
PAT (%)	14.1	12.8	26.7	21.0
EPS (%)	13.8	12.4	26.7	21.0
Yields, interest costs and spreads (%)				
NIM on loan assets (%)	9.2	8.4	8.6	8.5
NIM on IEA (%)	7.9	7.6	8.2	8.1
NIM on AUM (%)	9.7	9.1	9.3	9.1
Yield on loan assets (%)	15.6	14.1	14.1	14.0
Yield on IEA (%)	13.4	12.8	13.3	13.4
Yield on AUM (%)	**16.4**	**15.2**	**15.2**	**14.9**
Cost of borrowings (%)	7.1	6.6	6.6	6.7
Interest Spreads (%)	8.5	7.5	7.4	7.2
Operating efficiencies				
Non interest income as % of total income	12.8	11.6	9.8	8.9
Cost to income ratio	40.1	39.5	41.9	43.2
Op.costs/avg assets (%)	3.6	3.4	3.8	4.0
Op.costs/avg AUM (%)	4.5	4.1	4.3	4.3
Salaries as % of non-interest costs (%)	55.6	55.5	62.1	66.0
NII /employee (INR mn)	**2.4**	**2.6**	**2.5**	**2.6**
AUM/employee (INR mn)	26.4	31.7	29.9	31.4
Capital Structure				
Average gearing ratio (x)	3.6	3.9	4.3	4.7
Leverage (x)	4.7	5.1	5.4	5.8

Source Company data, I-Sec research

	FY25A	FY26A	FY27E	FY28E
Asset quality and provisioning				
GNPA (%)	3.3	2.9	2.6	2.6
NNPA (%)	1.0	1.0	0.8	0.8
GNPA (INR mn)	32,180	35,110	39,693	49,006
NNPA (INR mn)	9,290	11,480	12,354	15,252
Coverage ratio (%)	70.5	66.7	67.9	67.9
Credit Costs as a % of avg AUM (bps)	276	252	237	216
Credit Costs as a % of avg on book loans (bps)	282	260	244	223
Return ratios				
RoAA (%)	2.4	2.3	2.4	2.5
RoAE (%)	10.8	11.1	12.8	13.9
ROAAUM (%)	3.0	2.7	2.8	2.7
Dividend Payout ratio (%)	26.0	23.1	22.5	22.5
Valuation Ratios				
No of shares	2,495	2,504	2,504	2,504
No of shares (fully diluted)	2,495	2,504	2,504	2,504
EPS (INR)	10.6	11.9	15.1	18.3
EPS fully diluted (INR)	10.6	11.9	15.1	18.3
Price to Earnings (x)	30.3	27.0	21.3	17.6
Price to Earnings (fully diluted) (x)	30.3	27.0	21.3	17.6
Book Value (fully diluted)	102	112	124	139
Adjusted book value	100	108	120	134
Price to Book	3.1	2.9	2.6	2.3
Price to Adjusted Book	3.2	3.0	2.7	2.4
DPS (INR)	2.8	2.8	3.4	4.1
Dividend yield (%)	0.9	0.9	1.1	1.3

Source Company data, I-Sec research

Exhibit 12: Key Metrics

(Year ending March)

	FY25A	FY26A	FY27E	FY28E
DuPont Analysis				
Average Assets (INR mn)	11,15,635	13,13,073	15,53,975	18,53,208
Average Loans (INR mn)	8,75,662	10,57,971	13,28,391	16,49,647
Average Equity (INR mn)	2,45,013	2,67,738	2,95,288	3,29,345
Interest earned (%)	13.1	12.7	13.4	13.7
Interest expended (%)	5.4	5.1	5.2	5.4
Gross Interest Spread (%)	7.8	7.5	8.2	8.4
Credit cost (%)	**2.2**	**2.1**	**2.1**	**2.0**
Net Interest Spread (%)	5.6	5.4	6.1	6.4
Operating cost (%)	**3.6**	**3.4**	**3.8**	**4.0**
Lending spread (%)	2.0	2.1	2.3	2.4
Non interest income (%)	**1.1**	**1.0**	**0.9**	**0.8**
Operating Spread (%)	3.1	3.1	3.2	3.2
Tax rate (%)	**24.3**	**25.4**	**23.7**	**23.7**
ROAA (%)	2.4	2.3	2.4	2.5
Effective leverage (AA/ AE)	**4.6**	**4.9**	**5.3**	**5.6**
RoAE (%)	10.8	11.1	12.8	13.9

Source Company data, I-Sec research

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