

January 20, 2026

Steady Q3; Credit cost normalisation to aid RoA....

About the stock: L&T Finance Holding (LTFH) is a leading NBFC catering to the diverse financing needs of underserved customers in urban and rural areas.

- LTFH is engaged in consumer loans, 2-wheeler loans, home loans, MFI, farm & SME loans.
- Distribution network remains strong with substantial dealer penetration (2500+ dealers in farm equipment & 8500+ tie-ups in 2-wheeler segment)

Q3FY26 performance: L&T Finance reported a steady performance in Q3FY26. Strong recovery was witnessed in retail disbursements at ₹22701 crore (up ~49% YoY, 20% QoQ), driven by urban finance as well as in rural business segment along with addition of gold finance. Retail book expanded 21.4% YoY to ₹111,990 crore, while consolidated AUM increased 20% YoY to ₹1,14,285 crore. NIM+Fees grew to 10.41%, driven by stable yields and efficient liabilities management. PAT improved 18% YoY (1% QoQ) to ₹739 crore, accounting for a one-time provision of ₹29 crore related to the New Labour Code; RoA/ RoE declined to 2.31%/ 11.07%. Asset quality metrics were stable with GNPA/ NNPA at 3.19%/ 0.92%.

Investment Rationale

- Disciplined growth amid segment shift:** LTF reported healthy disbursement at ₹22,701 crore, up 49% YoY led by personal loans, 2-wheeler and gold loans. While competition remains intense in select secured products, company's calibrated shift towards prime & secured segments continues to gain traction, supported by expanding partnerships, branch led distribution and digital sourcing. Expect healthy traction in advances at ~21% CAGR in FY26-28E.
- Levers to offset volatility in yield led by alteration in asset mix:** Gradual shift towards prime segment (personal loans, SME Finance and gold loans) is seen to provide stability, though impart some moderation in margins in medium term. This impact is expected to be offset by declining cost of funds, operating leverage and improving credit cost. RoA target of 2.8-3% by FY27E remains maintained, with gradual improvement expected as credit cost declines from 2.8% in Q3FY26 to ~2.2-2.3% by Q4FY27E. With NIMs + fee income guided at 10-10.5%, we expect RoA to gradually improve to 2.5% by FY28E.
- Credit cost moderation to aid RoA:** Credit cost came at 2.83% in Q3FY26, though trend is gradually declining in last 3-4 quarters, signalling normalisation in rural finance. Credit cost is expected to moderate further owing to 1) improvement in collection efficiency 2) reduction in slippages via Cyclops implementation and 3) strategic mix shift towards prime segment.

Rating and Target Price

- Resilient performance with visible recovery in rural finance imbues confidence. Strategic pivot towards prime segments and accelerated gold loans expansion bodes well for business momentum while managing risk. While technology integration is expected to drive structural moderation in credit cost, resulting in improvement in RoA.
- Rolling over to FY28E, we revise our target price to ₹325 (earlier ₹310), valuing the stock at ~2.3 FY28E BV. Downgrade rating from Buy to Hold.

Key Financial Summary

	FY23	FY24	FY25	2 year CAGR (FY23-FY25)	FY26E	FY27E	FY28E	3 year CAGR (FY25- FY28E)
NII (₹ crore)	6368	7115	8047	12.4%	9022	10945	13191	17.9%
Net Profit (₹ crore)	1623	2320	2644	27.6%	2984	3771	4669	20.9%
EPS (₹)	6.5	9.3	10.6	27.2%	12.0	15.1	18.7	20.9%
P/E (x)	46.0	32.3	28.4		25.2	19.9	16.1	
P/BV (x)	3.5	3.2	2.9		2.7	2.4	2.1	
P/ABV (x)	3.8	3.4	3.0		2.8	2.5	2.2	
RoE (%)	7.5	9.9	10.3		10.6	12.1	13.4	
RoA (%)	1.5	2.3	2.4		2.3	2.4	2.5	



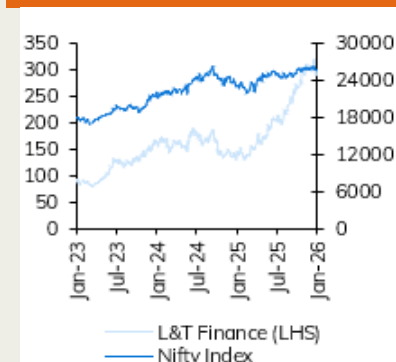
Particulars

Particulars	Amount
Market Capitalisation	₹ 72,011 crore
52 week H/L	329 / 131
Net worth	₹ 27108 Crore
Face Value	10.0
DII Holding (%)	15.3
FII Holding (%)	12.0

Shareholding pattern

(in %)	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	66.2	66.2	66.1	66.0
FII	5.5	6.2	6.4	6.7
DII	13.3	14.1	14.3	15.3
Others	15.0	13.6	13.2	12.0

Price Chart



Key risks

- Moderation in AUM growth amid competition
- Faster credit cost moderation can result in RoA expansion

Research Analyst

Vishal Narnolia
vishal.narnolia@icicisecurities.com

Nivedita Choudhary
nivedita.choudhary@icicisecurities.com

Con-call highlights and outlook**Business Update**

- Loan book growth: Retail loan book grew to ₹1,11,990 crore (+21% YoY); consolidated book at ₹1,14,285 crore (+20% YoY). Retailisation sustained at ~98%
- Retail disbursements stood at ₹22,701 crore (+49% YoY, +20% QoQ), driven by strong festive demand, GST 2.0 reforms, and improved rural sentiment.
- 6.9 lakh new customers added, supported by partnerships and digital acquisition channels, with total customer base at ~2.8 crore.
- Gold loan scale-up: Gold loan business gained traction with disbursements of ₹1,408 crore (+43% QoQ); branch network expanded aggressively with 64 branches added during the quarter, with plans to scale the gold loan branch network to 330+ by end-FY26.
- New partnership and strong network of distribution channel is enabling for pushing growth momentum in personal loans.
- PAT for the quarter reached ₹739 crore accounting for one-time impact of the New Labour Code of ₹ 29 crore marking a 1% growth QoQ and 18% YoY. RoA increased 4 bps YoY to 2.31% (2.37% pre-exceptional), achieved without use of macro-prudential provisions.
- Fees income primarily includes processing fees and distribution commission which is expected to remain steady ahead.

Technology Innovations

- Project Cyclops: Implemented across two-wheeler, SME, and farm businesses; rollout initiated in personal loans, to be completed by Q4FY26. Delivered sharp reduction in non-starters (TW: 2.36% to 0.41%; Farm: 1.5% to 0.42% YoY). It will be rolled out in Home Loans and Rural Group loans & MFI in FY27.
- Project Nostradamus: AI-driven portfolio monitoring engine live in beta for two-wheelers since August 25; providing real-time, micro-market level insights.
- Two new AI initiatives, Project Helios and Project Orion, were launched. Helios is an agentic AI platform for underwriters, processed 5,000+ SME cases, reducing SME turnaround time by 30% and saving 1.5 hours per case, while Orion is a conversational co-pilot for real-time portfolio monitoring in two-wheeler implemented since December 2025.
- Digital engagement: PLANET 3.0 crossed ~2.2 crore app downloads; conversational voice agent and automated collections gaining traction.
- The company has boosted its model risk management framework for its AI-based credit tools and uses KAI Voice and Chat, an agentic AI solution, for automated collection calls in 11 languages.
- Expanding distribution reach through opening of new branches (with focus on gold loan branches) and technology is expected to keep CI ratio at ~40%.

Margin

- Q3FY26 NIMs + Fee income at 10.41% vs 10.33% YoY, aided by stable yields, increase in rural finance segment and a reduction in the cost of borrowing due to treasury efficiencies, and lower NPA reversals.
- The company achieved its lowest ever weighted average cost of borrowing at 7.25% in Q3FY26, reflecting a 7 bps sequential improvement in funding costs.

- Management indicated a possibility of further rate transmission, as the full benefit of the current round of rate cuts has not yet been completely passed on by banks.
- NIMs + Fee might be slightly lower over the medium to long term due to a shift towards prime assets, this will be compensated by reductions in lower operating and credit costs, maintaining RoA.
- Absolute cross-sell in PL remains steady at 25-30%.

Asset Quality

- Credit cost moderation: Credit cost declined to 2.83% (vs 2.98% in Q2FY26), down 15 bps QoQ; excluding one-time co-borrower provisioning (~₹23 crore), core credit cost stood at ~2.74%. Co-borrower provisioning is cumulative and hence going ahead, the number is set to be small from next quarter.
- No macro provision usage: No utilization of macro-prudential provisions during the quarter, indicating normalization in Rural Business Finance.
- Collection efficiency: Pan-India 0+ DPD collection efficiency improved to 99.7% (vs 99.5% in Q2FY26). Karnataka MFI collections improved sharply to 99.56% in Q3FY26 (vs 99.18% in Q2FY26).
- Reset for ECL is undertaken on annual basis in Q4. Given improvement in underwriting and collections, implementation of Cyclope, ECL trajectory is expected to improve in Q4FY26.
- Asset quality metrics: Consolidated GS3/NS3 at 3.19% / 0.92%, maintained within guided thresholds of ~3% / ~1%.
- Resolution of SR to take 2-3 years and receivables are to be utilized to shore up macro prudential provision.
- GNPA in digital PL stands at ~2.7% with bounce rates on declining trend at less than 2% (vs bounce rate of 3-4% in case of prime segment seen in the industry).
- Write-off stood at ₹470 crore in Q3FY26.
- In MFI loans, 100% is provided on 90 dpd.

Guidance

- FY26 NIM + Fee income guidance maintained at 10-10.5%, with management expecting to sustain the Q3FY26 trajectory over next couple of quarters.
- The company reiterated aim for a secured/unsecured portfolio mix of 60:40 in medium term.
- Credit Cost Trajectory: Credit costs expected to continue moderating, with guidance of 2-2.2% by Q4FY27 reiterated, with potential to reach it sooner if tailwinds persist.
- Reiterated target to achieve RoA of 2.8-3.0% by Q4FY27, driven by operating leverage, lower credit cost, and tech-led efficiencies
- Strategic Focus: Continued emphasis on prime customer acquisition, AI-led underwriting, portfolio monitoring, and expansion of gold loan and multiproduct Sampoorana branches.
- Growth in MFI segment expected at 10-15% in FY27E with share of unsecured segment to be lowered from currently ~44% to 40%.

Exhibit 1: Variance Analys

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
NII	2407	2041	17.9	2218	8.5	Healthy NII growth driven by AUM expansion
NIM (%)	8.6%	8.5%	8 bps	8.4%	16 bps	Decrease in cost of funds aided margin stablization
Other Income (Incl Fees)	513	439	16.9	474	8.2	
Total income	2920	2480	17.7	2692	8.5	
Operating expenses	1135	1058	7.3	1068	6.3	
Operating income	1785	1422	25.5	1624	9.9	
Credit losses/provisions	792	598	32.4	635	24.7	Nil utilization of macro-prudential provisions due to cessation of rural business finance event risk
PBT	993	824	20.5	989	0.4	
Tax	254	199	27.6	254	0.0	
PAT	739	625	18.2	735	0.5	Exceptional items includes one-time impact of the New Labour Code of ₹ 29 crore
Key Metrics						
Loan Book	114285	95120	20.1	107096	6.7	AUM grew steadily, driven by personal loans

Financial Summary

Exhibit 2: Profit and loss statement

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Interest Earned	14,044.0	15,827.9	19,137.8	22,914.5
Interest Expended	5,997.0	6,805.7	8,192.8	9,723.8
Net Interest Income	8,047.0	9,022.1	10,945.0	13,190.7
growth (%)	13.1%	12.1%	21.3%	20.5%
Non Interest Income	1,740.0	2,001.0	2,341.2	2,739.2
Net Income	9,787.0	11,023.1	13,286.2	15,929.8
Opex	3,984.6	4,469.1	5,116.2	5,857.4
Operating Profit	5,802.4	6,554.0	8,170.0	10,072.4
Provisions	2,311.0	2,627.8	3,208.3	3,928.7
PBT	3,491.4	3,926.2	4,961.7	6,143.7
Taxes	847.4	942.3	1,190.8	1,474.5
Exceptional item	-	-	-	-
Net Profit	2,644.0	2,983.9	3,770.9	4,669.2
growth (%)	14.0%	12.9%	26.4%	23.8%
EPS (₹)	10.6	12.0	15.1	18.7

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Valuation				
No. of Equity Shares (Crores)	249.5	249.5	249.5	249.5
EPS (₹)	10.6	12.0	15.1	18.7
BV (₹)	102.5	113.1	125.0	140.1
ABV (₹)	99.8	109.3	121.2	135.5
P/E	28.4	25.2	19.9	16.1
P/BV	2.9	2.7	2.4	2.1
P/ABV	3.0	2.8	2.5	2.2

Yields & Margins (%)

Net Interest Margins	8.8	8.3	8.3	8.1
Yield on assets	15.3	14.6	14.4	14.1
Avg. cost on borrowings	7.1	6.5	6.3	6.1

Quality and Efficiency (%)

Cost to income ratio	40.7	40.5	38.5	36.8
Loan to borrowing (%)	101.7	96.1	95.9	95.9
GNPA	3.3	3.1	3.0	3.0
NNPA	1.0	0.8	0.8	0.8
RoE	10.3	10.6	12.1	13.4
RoA	2.4	2.3	2.4	2.5
RoAUM	2.9	2.7	2.8	2.9

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Sources of Funds				
Capital	2495	2495	2495	2495
Reserves and Surplus	23069	25713	28697	32468
Networth	25564	28208	31192	34963
Borrowings	92247	116682	142795	175244
Other Liabilities & Provisions	28160	23640	27480	32403
Total	120407	140323	170275	207647

Application of Funds

Fixed Assets	686	753	829	911
Investments	11876	14317	16757	19670
Advances	93773	112149	136966	168091
Other assets	26634	28174	33309	39556
Total	120407	140323	170275	207647

Source: Company, ICICI Direct Research

Exhibit 5: Growth ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Total assets	17.2%	20.0%	20.0%	20.0%
Advances	14.3%	22.0%	22.1%	22.7%
Net interest income	13.1%	12.1%	21.3%	20.5%
Operating expenses	3.9%	8.1%	13.3%	13.3%
Net profit	14.0%	12.9%	26.4%	23.8%
Net worth	9.1%	11.7%	13.2%	14.4%

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according -to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Vishal Narnolia, MBA, Nivedita Choudhary, MBA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawarani Email address: headsservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report