

April 27, 2026

## Lakshya 2031 roadmap targets RoA expansion to 3%+ ...

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.

- LTF is engaged in consumer loans, 2-wheeler loans, home loans, MFI, farm & SME loans.

**Q4FY26 performance:** L&T Finance reported a steady performance in Q4FY26, with retail disbursement increasing to ₹24,107 crore (+62% YoY/ +6% QoQ), driven by strong traction across rural business finance, urban finance and continued scale-up in gold finance. Retail book expanded ~26% YoY (7% QoQ) to ₹1,19,508 crore, while consolidated book stood at ~₹1,21,728 crore. NIM+Fees improved to 10.47% (+6 bps QoQ), supported by calibrated mix and stable yields. PAT grew 27% YoY (6% QoQ) to ₹807 crore, with RoA improving to 2.4% and RoE to 11.7%. Asset quality trends improved, with credit cost declining to 2.64% vs 2.83% in Q3, reflecting better portfolio performance and lower slippages.

### Investment Rationale

- Sustained growth momentum led by diversified retail franchise:** LTF reported strong disbursement momentum driven by personal loans, rural finance, two-wheeler and gold loans, supported by expansion in distribution (Sampoorna branches, dealer network) and digital sourcing. Continued focus on prime customer acquisition and cross-sell is aiding scalability while maintaining portfolio quality. With steady traction across urban and rural segments and improving productivity, we expect AUM growth to sustain at ~20% CAGR over FY26-28E.
- Stable margins with structural levers offsetting mix shift:** NIM + fee remained healthy at ~10.4%, supported by yield optimization and efficient liability management. While gradual shift towards prime segments may exert some pressure on yields, this is expected to be offset by operating leverage, improving credit cost, declining cost of funds and diversification of fee income (including upcoming payments platform). Management has guided for stable NIM + fee of 10-10.5%, with profitability improvement largely driven by cost efficiencies rather than margin expansion.
- Improving asset quality to drive RoA expansion:** Credit cost moderated to ~2.6% with early benefits of AI-led underwriting (Cyclops) and normalization in rural collections, with further reduction guided to ~2-2.2% by Q4FY27 and sub-2% over medium term. Strengthening of risk frameworks, real-time monitoring (Nostradamus) and focus on prime borrowers provide confidence on sustained asset quality. RoA target of 2.8% is delayed to Q4FY27 due to MFI crisis, with management targeting 3.0-3.2% by FY31. Combined with operating leverage, we expect RoA to improve to ~2.4% by FY27E.

### Rating and Target Price

LTF has outlined its Lakshya 2031 roadmap targeting 20%+ AUM growth, RoA of 3-3.2% and RoE of 16-18%, driven by a tech-led, AI-enabled model and sub-2% credit cost ambition. Strategy outlining sustained growth in retail segment along with focus on prime customers, maintaining stable margin profile and tight control on asset quality amid technology-led underwriting is seen to aid RoA. We maintain our valuation multiple at ~2.3x FY28E BV, and target price of ₹325. Maintain Hold rating.

### Key Financial Summary

	FY23	FY24	FY25	FY26	3 year CAGR (FY23-FY26)	FY27E	FY28E	2 year CAGR (FY26-FY28E)
NII (₹ crore)	6368	7115	8047	9228	13.2%	11686	14228	24.2%
Net Profit (₹ crore)	1623	2320	2644	3003	22.8%	3762	4386	20.9%
EPS (₹)	6.5	9.3	10.6	11.9	22.1%	15.0	17.5	21.3%
P/E (x)	44.0	30.9	27.2	24.2		19.2	16.4	
P/BV (x)	3.3	3.1	2.8	2.6		2.3	2.1	
P/ABV (x)	3.6	3.2	2.9	2.7		2.4	2.1	
RoE (%)	7.5	9.9	10.3	10.7		12.1	12.6	
RoA (%)	1.5	2.3	2.4	2.3		2.4	2.3	

Source: Company, ICICI Direct Research



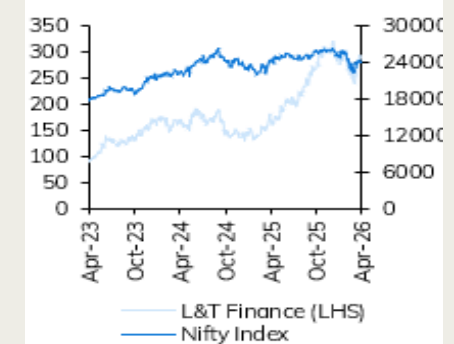
### Particulars

Particulars	Amount
Market Capitalisation	₹ 72,123 crore
52 week H/L	329 / 156
Net worth	₹ 27,983 Crore
Face Value	10.0
DII Holding (%)	14.9
FII Holding (%)	7.6

### Shareholding pattern

(in %)	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	66.2	66.1	66.0	66.0
FII	6.2	6.4	6.6	7.6
DII	14.1	14.3	15.3	14.9
Others	13.6	13.2	12.0	11.5

### Price Chart



### Key risks

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

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## Concall highlights and outlook

### Business performance

- Loan book growth: Retail loan book grew to ₹1,19,508 crore (+26% YoY); consolidated book at ₹1,21,728 crore (+25% YoY). Retailisation sustained at ~98%.
- Retail disbursement reached an all-time high of ₹24,107 crore (+62% YoY), driven by broad-based momentum across all business lines. Full-year retail disbursements stood at ₹83,213 crore (+39% YoY), also the highest ever.
- 8.3 lakh new customers added during the quarter — highest ever; total customer base at ~2.8 crore.
- Gold loan scale-up: Disbursement of ₹2,779 crore (+97% QoQ); branch network expanded to 330 branches by end-Q4FY26. Management targets deployment of 400+ new gold loan branches in FY27, with at least 100 integrated as multi-product Sampoorna branches.
- Board approved setting up a payment platform, to be operationalised by Q2FY27. The platform will focus on rural and urban customer acquisition, diversification of fee revenue, and capturing transaction data for AI-driven lending decisioning.
- Quarterly PAT at ₹807 crore (+27% YoY); full-year PAT at ₹3,003 crore (+14% YoY, pre-one-time Labour Code impact of ₹21 crore post-tax in Q3FY26) — highest ever annual PAT. Consolidated RoA improved 18 bps YoY to 2.4%; RoE at 11.71% (+158 bps YoY).
- Lakshya 2026 concluded: Retailisation target of >95% achieved at 98%; retail book CAGR of 28% against 25% target; consol GS3/NS3 at 2.88%/0.96% within guided thresholds. RoA target of 2.8–3% deferred by approximately four quarters due to the microfinance crisis headwind.
- Sales productivity improved materially YoY: MFI field officer throughput +38% to ₹16.1 lakh; PL sales manager productivity +60% to ₹1.6 crore; two-wheeler +36% to ₹19 lakh; SME +66% to ₹3.11 crore; housing +11% to ₹1.96 crore; farm +11% to ₹63 lakh.

### Technology Innovations

- Project Cyclops: Live across two-wheeler, SME, farm, and personal loan businesses; rollout to home loans and Rural Business Finance planned for FY27. Cyclops-underwritten two-wheeler portfolio (observation window book: ₹3,250 crore) posting 30+ DPD of 2.8% against industry average of 7.1% at 10 months outperforming by approximately 2.5x.
- Project Nostradamus: Fully live in two-wheeler finance since November 2025; providing real-time, micro-market level portfolio monitoring. Rollout to personal loans planned for Q1FY27, Rural Business Finance in Q2FY27, followed by SME and farm.
- Project Helios: Agentic AI copilot for SME underwriting; processed 5,000+ cases, reduced turnaround time by 30% and saved 1.5 hours per case. Additional modules to be deployed in Q1FY27.
- 20+ new digital journeys launched during FY26; PLANET app at ~2.2 crore downloads. KAI Voice and Chat deployed for automated collections in 11 languages. AI performance metrics to be disclosed on a half-yearly basis going forward.
- Pan-organisation Tech DNA Upgrade planned in FY27 to equip operating managers and distribution workforce with AI productivity tools.

### Margins

- Q4FY26 NIM + fee income at 10.47% vs 10.41% in Q3FY26 and 10.15% in Q4FY25, driven by yield optimisation across businesses, fee improvement, and efficient liability management. Full-year NIM + fee stood at 10.33%.

- Yield management supported by accelerating higher-yielding segments - gold loans, micro-LAP, and personal loans, partially offsetting mix-related pressures in mortgages amid the rate cut cycle.
- Management targets product mix of ~15% personal loans/gold loans, ~20% rural business finance, ~10–12% farm and two-wheeler, and ~10% SME by FY31, with the resulting mix expected to underpin stable yields.
- Fee income guided to remain range-bound at ~1.7–1.8% of book; payments business launch expected to diversify fee revenue pipeline over the medium term.

### Asset Quality

- Credit cost moderation: Credit cost declined to 2.64% (vs 2.83% in Q3FY26), down 19 bps QoQ. Quarterly slippages fell to ₹402 crore from ₹900+ crore in the corresponding prior-year quarter.
- ECL model refresh (Q4 annual exercise): Released ₹301 crore of management overlay from Stage 3 (₹290 crore) and Stage 2 (₹11 crore); redeployed as enhanced Stage 1 provisions, improving Stage 1 PCR from 0.52% to 0.80% (vs RBI minimum of 40 bps). Additionally, ₹125 crore of macro-prudential provisions subsumed within the ECL model. No P&L impact; exercise reflects structural balance sheet strengthening.
- Asset quality metrics: Consol GS3/NS3 at 2.88%/0.96%, within guided thresholds of <3%/<1%.
- Collection efficiency: Pan-India 0+ DPD collection efficiency restored to 99.8%+, at pre-MFI-crisis level. Karnataka MFI collection efficiency fully normalised.
- Wholesale book reduction progressing: Wholesale loan book declined to ₹2,220 crore (–14% YoY); net SR book reduced to ₹4,808 crore (–18% YoY). SR resolution expected over 3–4 years; SR gains to be deployed towards building macro-prudential provisions.
- Management reiterated that incremental Cyclops coverage across a larger share of the book, and continued improvement in roll-forward rates, will be the primary drivers of credit cost moderation.
- Incremental business will now attract ~80 bps of Stage 1 provisioning as per revised ECL norms.

### Guidance/ Outlook

- FY27 AUM growth guidance: 20%+, with broad-based contribution from urban finance, gold loans, and rural franchise recovery.
- NIM + Fee: Guided at 10–10.5% for FY27, consistent with prior guidance; no change.
- Credit cost trajectory: 2–2.2% targeted by Q4FY27; sub-2% credit cost expected to be achievable during FY28, primarily driven by Cyclops-led customer selection maturing across a larger share of the book.
- RoA target: 2.8% by exit of Q4FY27 (Lakshya '26 target, delayed by approximately four quarters due to microfinance crisis).
- Lakshya 2031 targets: Book CAGR of 20%+, credit cost <2%, RoA of 3–3.2%, RoE of 16–18%. Opex to book guided at 3.75–4%; combined Opex + credit cost corridor targeted at 5.75–6%.
- FY27 branch expansion: 400+ gold loan branches (at ~1–1.2 per day), ~150–200 Micro Loan branches, ~150–200 Micro LAP branches, of which at least 100 gold loan branches to be Sampoorna multi-product outlets.
- Payments platform to be operationalised by Q2FY27; contribution to fee revenue diversification expected to build over the medium term.

Exhibit 1: Variance Analysis

	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments
NII	2549	1935	31.7	2407	5.9	Healthy NII growth driven by AUM expansion
NIM (%)	8.8%	8.2%	63 bps	8.6%	20 bps	Decrease in cost of funds and change in AUM mix aided margin
Other Income (Incl Fees)	492	477	3.1	513	-4.1	
Total income	3041	2412	26.1	2920	4.1	
Operating expenses	1201	1004	19.6	1135	5.8	Increase due to continued investment in technology and distribution
Operating income	1840	1408	30.7	1785	3.1	
Credit losses/provisions	768	603	27.4	792	-3.0	
PBT	1072	805	33.2	993	8.0	
Tax	265	170	55.9	254	4.3	
PAT	807	635	27.1	739	9.2	Growth led by strong operating performance and lower provisions
<b>Key Metrics</b>						
Loan Book	121728	97762	24.5	114285	6.5	AUM grew steadily, driven by personal loans and revival in rural business

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 2: Profit and loss statement				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
Interest Earned	14,044.0	15,948.0	19,524.8	23,610.1
Interest Expended	5,997.0	6,720.0	7,838.7	9,382.1
Net Interest Income	8,047.0	9,228.0	11,686.0	14,227.9
growth (%)	13.1%	14.7%	26.6%	21.8%
Non Interest Income	1,740.0	1,973.0	2,308.4	2,700.8
Net Income	9,787.0	11,201.0	13,994.5	16,928.8
Opex	3,984.6	4,454.0	5,690.8	7,271.6
Operating Profit	5,802.4	6,747.0	8,303.7	9,657.2
Provisions	2,311.0	2,751.0	3,353.1	3,885.6
PBT	3,491.4	3,996.0	4,950.6	5,771.6
Taxes	847.4	1,016.0	1,188.1	1,385.2
Net Profit	2,644.0	3,003.0	3,762.4	4,386.4
growth (%)	14.0%	13.6%	25.3%	16.6%
EPS (₹)	10.6	11.9	15.0	17.5

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios				
(Year-end March)	FY25	FY26	FY27E	FY28E
<b>Valuation</b>				
No. of Equity Shares (Crores)	249.5	250.4	250.4	250.4
EPS (₹)	10.6	11.9	15.0	17.5
BV (₹)	102.5	111.7	123.7	138.8
ABV (₹)	99.8	108.0	119.1	134.1
P/E	27.2	24.2	19.2	16.4
P/BV	2.8	2.6	2.3	2.1
P/ABV	2.9	2.7	2.4	2.1
<b>Yields &amp; Margins (%)</b>				
Net Interest Margins	8.8	8.4	8.7	8.8
Yield on assets	15.3	14.5	14.6	14.6
Avg. cost on borrowings	7.1	6.6	6.4	6.2
<b>Quality and Efficiency (%)</b>				
Cost to income ratio	40.7	39.8	40.7	43.0
Loan to borrowing (%)	101.7	107.2	104.3	102.0
GNPA	3.3	2.9	3.0	3.0
NNPA	1.0	1.0	0.8	0.8
RoE	10.3	10.7	12.1	12.6
RoA	2.4	2.3	2.4	2.3
RoAUM	2.9	2.7	2.8	2.7

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
<b>Sources of Funds</b>				
Capital	2495	2504	2504	2504
Reserves and Surplus	23069	25479	28482	32245
Networth	25564	27984	30987	34749
Borrowings	92247	109888	134136	167319
Other Liabilities & Provisions	28162	32318	35977	39886
Total	120409	142205	170113	207205
<b>Application of Funds</b>				
Fixed Assets	686	1370	1506	1657
Investments	11876	10564	13122	16020
Advances	93773	117821	139851	170736
Other assets	26636	24384	30262	36469
Total	120409	142205	170113	207205

Source: Company, ICICI Direct Research

Exhibit 5: Growth ratios				
(Year-end March)	FY25	FY26	FY27E	FY28E
Total assets	17.2%	18.1%	20.0%	20.0%
Advances	14.3%	24.5%	19.8%	22.1%
Net interest income	13.1%	14.7%	26.6%	21.8%
Operating expenses	3.9%	13.1%	26.5%	26.5%
Net profit	14.0%	13.6%	25.3%	16.6%
Net worth	9.1%	9.5%	13.4%	13.8%

Source: Company, ICICI Direct Research

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