

October 19, 2026

Resilient performance; RoA trend monitorable amid headwinds

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.

Q2FY27 performance: L&T Finance reported a strong Q2FY27 performance, with retail disbursement increasing 27% YoY (1% QoQ) to ₹24,027 crore, driven by healthy traction in urban, SME and gold finance, while rural business finance remained relatively stable. Retail book grew ~28% YoY to ₹1,34,600 crore, with consolidated book at ₹1,36,635 crore (+28% YoY; 5% QoQ). NIM+Fees remained stable at 10.48%, while PAT grew 33% YoY (8% QoQ) to ₹975 crore. Asset quality trends improved further, with credit cost declining to 2.46% from 2.54% in Q1FY27, while RoA/RoE improved to 2.6%/13.56%

Investment Rationale:

- Diversified retail franchise to sustain healthy growth:** LTF's diversified retail franchise continues to support healthy business momentum, with moderation in rural disbursement, amid uneven monsoon, is being offset by traction across Urban, SME and Gold Finance. Accelerated expansion in Gold Finance, normalisation in PL post implementation of Cyclops and calibrated pick-up in rural businesses should provide incremental growth. Focus on prime customers, coupled with disciplined guardrails across businesses, should enable risk-calibrated growth while maintaining portfolio quality. We expect ~24% CAGR in AUM over FY26-28E
- Resilient margins to support earnings trajectory:** Despite shift towards prime customers, NIM + fee income remained resilient at 10.48%, aided by liability management resulting in CoF falling below 7%. While rate hike is expected to raise funding costs, lower base and floating-rate repricing should provide some cushion. Proposed insurance commission regulations could impact fee income from FY28, though AI enabled cross-sell, payments and other products should partly offset the impact.
- Moderation in credit cost to aid RoA:** Prime sourcing, disciplined underwriting and AI-led risk management should improve incremental portfolio quality, while calibrated rural growth should contain fresh stress. Management expects credit cost to moderate towards 2-2.2% by Q4FY27 and below 2% over the medium term. Though, exposure to drought affected regions remain at ~3% of rural book, El Niño-led rural stress could delay credit cost normalisation and pace of RoA improvement.

Rating and Target Price

- Diversified growth levers across Urban, Gold and SME, coupled with calibrated recovery in rural and focus on prime customers, should sustain healthy AUM growth. Margin resilience and gradual credit cost moderation remain key drivers of RoA improvement, though higher funding cost, El Niño-led rural stress and proposed insurance commission changes could moderate the pace of improvement. Thus, we lower our target to ₹325, valuing the business at ~2.3x FY28E BV. However, we maintain our BUY rating, amid recent correction in stock price.

Key Financial Summary

	FY25	FY26	3 year CAGR (FY23-FY26)	FY27E	FY28E	2 year CAGR (FY26-28E)
NII (₹ crore)	8047	9228	13.2%	12297	15159	28.2%
Net Profit (₹ crore)	2644	3003	22.8%	3935	4561	23.2%
EPS (₹)	10.6	11.9	22.1%	15.7	18.2	23.7%
P/BV (x)	2.5	2.3		2.1	1.8	
P/ABV (x)	2.5	2.4		2.1	1.9	
RoE (%)	10.3	10.7		12.7	13.1	

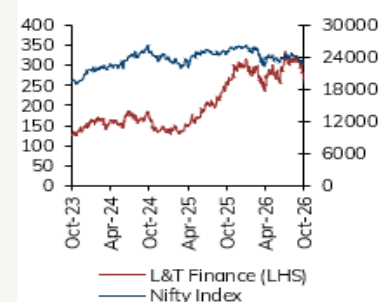
Source: Company, ICICI Direct Research

**Particulars**

Particulars	Amount
Market Capitalisation	₹ 63,613 crore
Networth	₹ 29,267 crore
52-week H/L	339 / 235
Face Value	₹ 10

Shareholding pattern

	Dec 25	Mar 26	Jun 26	Sept 26
Promoter	66.0	65.9	65.9	65.9
FII	6.6	7.6	7.7	7.4
DII	15.3	14.9	14.9	15.8
Others	11.9	11.5	11.5	10.9

Price Chart**Key risks**

- Moderation in AUM growth amid competition
- Rise in credit cost can impact RoA expansion

Research Analyst

Vishal Narnolia
vishal.narnolia@icicisecurities.com

Nivedita Choudhary
nivedita.choudhary@icicisecurities.com

Concall highlights and outlook

Business Performance

- Consolidated book grew 28% YoY (5% QoQ) to ₹1,36,635 crore, while retail book increased 29% YoY to ₹1,34,600 crore, with retailisation at 99%. Retail disbursements stood at ₹24,027 crore (+27% YoY; +1% QoQ), led by Gold (+229% YoY), Personal Loans (+45%), Two-Wheeler (+26%) and SME (+24%).
- Rural Business Finance disbursements stood at ₹6,356 crore (+1% YoY; -9% QoQ), while Farmer Finance was ₹1,643 crore (-1% YoY; -33% QoQ), as management consciously moderated rural disbursements and tightened risk guardrails amid uneven monsoons; an upward bias is expected in Q3FY27 as visibility on kharif cash flows improves.
- Personal Loan disbursements stood at ₹4,233 crore (+45% YoY; -3% QoQ), with management attributing the sequential moderation to partner-wise Cyclops implementation and clarifying that it was "not a credit issue". Monthly run-rate stood at ~₹1,500 crore, with an interim target of ₹1,700–1,800 crore, while large partnerships contributed ~40% of originations.
- Gold Loan disbursements increased 229% YoY (68% QoQ) to ₹3,237 crore, while book grew 242% YoY (32% QoQ) to ₹5,043 crore; active branches increased to 502 from 343 and plans to add ~800 branches in FY27 and plans to scale to ~2,000 over time, targeting Gold Loans at 14–15% of overall AUM or ₹40,000–45,000 crore under Lakshya 2031.
- Consolidated PAT increased 33% YoY (8% QoQ) to a record ₹975 crore, while RoA improved to 2.60% (+19 bps YoY; +12 bps QoQ) and RoE to 13.56% (+223 bps YoY; +85 bps QoQ). CRAR stood at 18.67%, with Tier I/Tier II at 17.50%/1.17%.

IT Transformation

- Cyclops is live across Two-Wheeler, Farm, Personal Loans and SME, with Rural Business Finance and Mortgage targeted in FY27/H1FY28. In Two-Wheeler, prime sourcing improved to 92% in Q2FY27 from 52% in Q1FY25, while GNS/NNS moderated to 8.5%/0.3% from 13%/3.7% and bounce rate declined to 12.5% from 22%.
- Nostradamus is live in Two-Wheeler and Personal Loans and is being extended to Rural Business Finance, SME and Farm; management indicated ~₹50 crore of benefit in H1FY27 across collection-cost savings and early hotspot identification/resolution in Two-Wheeler and Personal Loans.
- Hercules Phase-I is in beta, with the lead-management system live for cross-sell/upsell across Urban products and Rural rollout targeted by mid-November 2026. Gold Loan cross-sell lead conversion stood at 14%+ in early October, with management expecting scale-up from Q4FY27 and contribution to lower customer-acquisition-cost disbursements in FY28.

Margins

- NIM + fee income remained stable at 10.48% (+1 bp QoQ; +26 bps YoY), with core NIM improving to 8.88% from 8.54% in Q1FY27, while fee and other income moderated to 1.6% from 1.93%; portfolio yield stood at 14.76% versus 14.81% in Q1FY27.
- Weighted average cost of borrowing declined 25 bps QoQ to a lowest-ever 6.95%, aided by repayment of high-cost borrowings, lower-cost incremental funding, PTC transactions, PSL-linked funding and higher short-tenor CP mobilisation; management indicated these liability actions provide funding visibility for the next 3–4 quarters.
- Management indicated incremental borrowing rates have risen ~30–50 bps following the repo-rate hike, while the ~₹23,800 crore floating-rate home-loan portfolio would be repriced gradually as market rates adjust. NIM + fee income is expected around the middle of the 10–10.5% guided range over the next couple of quarters.

- Management did not reiterate its earlier FY27 average cost of funds guidance of ~7.35–7.4% and refrained from providing a full-year number amid the evolving interest-rate environment.

Asset Quality

- Credit cost moderated to 2.46% from 2.54% in Q1FY27 and 2.64% in Q4FY26. Consolidated GS3/NS3 improved to 2.75%/0.85% from 2.86%/0.90%, while Retail Stage 3/Net Stage 3 improved to 2.43%/0.73% from 2.48%/0.77%. Stage 1 PCR increased to 0.91% from 0.86%.
- Rural Business Finance collection efficiency remained strong at ~99.7–99.8%. Management indicated drought-declared areas in Karnataka and Maharashtra account for ~₹1,033 crore or 3.3% of a ~₹31,500 crore book (per management), with no immediate risk build-up visible.
- Risk protection has been strengthened through CGFMU for select rural cohorts, parametric insurance and CGTMSE coverage for the majority of the SME portfolio (~80% as per management), while secured Micro LAP continues to report ~99.9% collection efficiency.
- Management attributed the moderation in September Two-Wheeler collection efficiency to an AI-led self-cure experiment rather than structural deterioration and expects October collection efficiency at ~99% or better.

Guidance

- Lakshya 2031 targets remain unchanged at 20%+ book growth CAGR, credit cost below 2%, RoA of 3–3.2% and RoE of 16–18%. Management reiterated Q4FY27 credit cost of 2–2.2% and expects RoA at 2.8–3% by Q4FY27 exit (Q2FY27: 2.6%).
- Management expects a reasonably strong Q3FY27, with calibrated acceleration in rural disbursement as visibility on monsoon and kharif cash flows improves. Opex is expected to remain broadly range-bound despite continued branch and technology investments.
- IRDAI's draft insurance commission framework proposes significant reductions in credit-linked and motor insurance commissions, though management indicated it is premature to quantify the impact. Mitigation initiatives include cross-sell, payments and accelerated direct retail insurance distribution, with management expecting minimal disruption to Lakshya 2031 objectives.

Exhibit 1: Variance Analysis

	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comments
NII	2975	2218	34.1	2684	10.8	Healthy NII growth driven by AUM expansion
NIM (%)	8.9%	8.4%	46 bps	8.5%	34 bps	Decrease in cost of funds aided margins
Other Income (Incl Fees)	537	474	13.3	605	-11.2	
Total income	3512	2692	30.5	3289	6.8	
Operating expenses	1368	1068	28.1	1267	8.0	Increase due to continued investment in technology, AI capabilities and distribution
Operating income	2144	1624	32.0	2022	6.0	
Credit losses/provisions	824	635	29.8	800	3.0	
PBT	1320	989	33.5	1222	8.0	
Tax	345	254	35.8	320	7.8	
PAT	975	735	32.7	902	8.1	Growth led by healthy operating performance, stable NIM + fee income and improving credit cost
Key Metrics						
Loan Book	136635	107096	27.6	129634	5.4	AUM grew steadily, driven by 2 wheeler, personal and gold loans

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	15,948	20,499	25,337
Interest Expended	5,997	6,720	8,201	10,178
Net Interest Income	8,047	9,228	12,297	15,159
growth (%)	13%	15%	33%	23%
Non Interest Income	1,740	1,973	2,308	2,078
Net Income	9,787	11,201	14,606	17,237
Opex	3,985	4,986	6,215	7,412
Operating Profit	5,802	6,215	8,391	9,824
Provisions	2,311	2,751	3,213	3,823
PBT	3,491	3,464	5,178	6,001
Taxes	847	461	1,243	1,440
Net Profit	2,644	3,003	3,935	4,561
growth (%)	14%	14%	31%	16%
EPS (₹)	10.6	11.9	15.7	18.2

Source: Company, ICICI Research

Exhibit 3: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Valuation				
No. of Equity Shares (Crores)	249.5	250.4	250.4	250.4
EPS (₹)	10.6	11.9	15.7	18.2
BV (₹)	102.5	111.7	123.7	139.4
ABV (₹)	99.8	108.0	119.1	134.6
P/E	24.0	21.3	16.2	13.9
P/BV	2.5	2.3	2.1	1.8
P/ABV	2.5	2.4	2.1	1.9
Yields & Margins (%)				
Net Interest Margins	8.8	8.4	9.0	8.9
Yield on assets	15.3	14.5	15.0	15.0
Avg. cost on borrowings	7.1	6.6	6.7	6.7
Quality and Efficiency (%)				
Cost to income ratio	40.7	44.5	42.5	43.0
Loan to borrowing (%)	101.7	107.2	106.6	106.6
GNPA	3.3	2.9	2.7	2.8
NNPA	1.0	1.0	0.8	0.8
RoE	10.3	10.7	12.7	13.1
RoA	2.4	2.3	2.5	2.4
RoAUM	2.9	2.7	2.9	2.7

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Sources of Funds				
Capital	2495	2504	2504	2504
Reserves and Surplus	23069	25479	28482	32418
Networth	25564	27984	30987	34922
Borrowings	92247	109888	135855	169113
Other Liabilities & Provisions	2598	4334	5367	8821
Total	120409	142205	172208	212855
Application of Funds				
Fixed Assets	686	1370	1506	1657
Investments	11876	10564	12831	15032
Advances	93773	117821	144790	180236
Other assets	14074	12451	13081	15930
Total	120409	142205	172208	212855

Source: Company, ICICI 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%	24.0%	24.5%
Net interest income	13.1%	14.7%	33.3%	23.3%
Operating expenses	3.9%	43.2%	25.3%	22.0%
Net profit	14.0%	13.6%	31.0%	15.9%
Net worth	9.1%	9.5%	14.1%	14.3%

Source: Company, ICICI 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 Jawrani Email address: heads-servicequality@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

SEBI Guidelines for Research Analyst (RA) requires all RAs to disclose terms and conditions pertaining to Research Services to all clients. Please go through the "Mandatory terms and conditions" and ["Most Important Terms and Conditions"](#).