Shubh Nivesh



L&T Finance Limited (LTFINA)

CMP: ₹ 276 | Target ₹ 325 (18%) | Target Period: 12 months | BUY

November 16, 2026

Growth resilience amid headwinds...

About the stock: L&T Finance (LTF) 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.
- Distribution network remains strong with substantial dealer penetration (3100+ branches including 2280 RGL and MFI centres and 2700+ dealers in farm equipment).

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 monsoons being offset by traction across Urban, SME and Gold Finance. Accelerated expansion in Gold Finance through branch additions, normalisation in PL post implementation of Cyclops and calibrated pick-up in rural businesses should provide incremental growth levers. 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 cost of borrowing declining below 7%. While the recent rate hike is expected to raise funding cost, benefits from H1FY27 liability actions 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 product initiatives should partly offset the impact, supporting earnings resilience amid near-term margin pressures.
- **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 formation. As better-quality loan vintages season, management expects credit cost to moderate towards 2–2.2% by Q4FY27 and below 2% over the medium term. However, exposure to drought-affected regions at ~3% of the rural book remains a monitorable, as potential El Niño-led stress could delay credit cost normalisation and moderate the pace of RoA improvement.

Rating and Target Price: Diversified growth opportunities across retail businesses, coupled with calibrated recovery in rural lending and continued focus on prime customers, should support healthy AUM growth. Resilient margins and gradual moderation in credit cost remain key drivers of RoA improvement, though El Niño-led rural stress and proposed insurance commission regulations could limit the pace of improvement in near term. We assign a target price of ₹325, valuing LTF at ~2.3x FY28E BV, and recommend BUY rating.

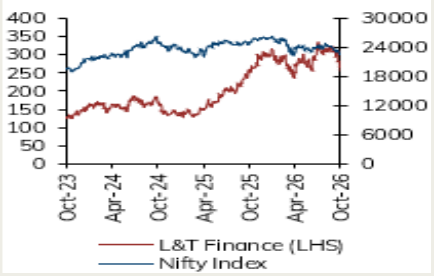
Particulars

Particular	Amount
Market Capitalisation	₹ 70,780 crore
Net worth	₹ 29,267 crore
52-week H/L	339 / 229
Face Value	₹ 10

Shareholding pattern

(in %)	Dec 25	Mar 26	Jun 26	Sept 26
Promoters	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

(i) Moderation in AUM growth amid competition.

(ii) Rise in credit cost can impact RoA expansion.

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Key Financial Summary

₹ crore	FY25	FY26	3 year CAGR (FY23-FY26)	FY27E	FY28E	2 year CAGR (FY26-28E)
NII	8047	9228	13.2%	12297	15159	28.2%
Net Profit	2644	3003	22.8%	3935	4561	23.2%
EPS (₹)	10.6	11.9	22.1%	15.7	18.2	23.7%
P/BV (x)	2.7	2.5		2.2	2.0	
P/ABV (x)	2.8	2.6		2.3	2.1	
RoE (%)	10.3	10.7		12.7	13.1	
RoA (%)	2.4	2.3		2.5	2.4	

Source: Company, ICICI Research

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ICICI Securities – Retail Equity Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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