

L&T Finance

STOCK UPDATE

Result Update - Q3FY2026

SECTOR

NBFC

COMPANY DETAILS

| | |
|-------------------------------|---------------|
| Market cap: | Rs. 75,139 cr |
| 52-week high/low: | Rs. 329/131 |
| NSE volume: (No of shares) | 73.0 lakh |
| BSE code: | 533519 |
| NSE code: | LT |
| Free float: (No of shares) | 242.8 cr |

Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)

| | |
|-----------|------|
| Promoters | 66.0 |
| FII | 6.7 |
| DII | 15.3 |
| Others | 12.0 |

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART



Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

| (%) | 1m | 3m | 6m | 12m |
|-----------------------|------|------|------|-------|
| Absolute | -0.1 | 12.7 | 47.8 | 107.7 |
| Relative to Sensex | 1.9 | 13.5 | 46.5 | 99.0 |

Source: Mirae Asset Sharekhan Research, Bloomberg

Reco/View: **Buy**

CMP: **Rs. 300**

Price Target: **Rs. 345**

Quick Snapshot

- Disbursements grew by a robust growth 49% y-o-y and 20% q-o-q, driving up retail loans by 21.4% y-o-y.
- Reported NIM (including fees) rose 8 bps y-o-y and 19 bps q-o-q at 10.41% on stable yields and lower cost of funding due to a reduction in the repo rate.
- Asset quality improved with GNPA falling 4/10 bps (y-o-y/q-o-q) at 3.19%. Credit cost grew by 16.7% q-o-q, though drop by 9.8% y-o-y.
- We maintain a Buy on the stock with a revised PT of Rs. 345, valuing it at 2.4x of FY28 BV.

Result overview

- NII was slightly above estimates, rose by 13.4% y-o-y and 5.6% q-o-q to Rs. 2,537 crore. Reported NIM (including other income) stood at 10.41%, expanded by 8 bps y-o-y 19 bps q-o-q due to stable yield, and a fall in funding cost on lower repo rates.
- Other income grew 14.3% y-o-y and 14.4% q-o-q to Rs. 341 crore. Fee income grew by a robust 17% q-o-q and 42% y-o-y.
- Operating expenses exceeded estimates by 6%, rose by 19.8% y-o-y and 5.0% q-o-q due to one-time higher employee costs related to the New Labour Code.
- PPOP grew by 9.0% y-o-y and 7.8% q-o-q to Rs. 1,611 crore, below estimates due to higher growth in Opex.
- Provisions stood at Rs. 590 crore, up by 16.8% q-o-q. However, it was down by 9.8% y-o-y, aiding a PAT growth of 22.5% y-o-y and 4.3% q-o-q.
- Retail AUM saw robust growth of 21.4% y-o-y and 7.1% q-o-q to Rs. 111,990 crore driven by policy tailwinds, good monsoons and reduction in the repo rate. Consumer, home, LAP and SME loans witnessed strong growth. Disbursement saw robust growth 49% y-o-y and 20% q-o-q driven by rural loans, two wheelers loan, consumer loans, LAP and SME finance.
- Asset quality improved as GNPA and NNPA ratio fell by 10 bps and 8 bps q-o-q to 3.19% and 0.92%, respectively.

Our Call

Q3 numbers were in line with expectations and were buoyed by better asset quality as well. It is well-positioned to drive robust AUM growth, fueled by GST-driven consumption and a recovery in rural and MFI demand. Fully implementation of Cyclops is expected to build quality portfolio which will help to reduce credit cost significantly. We anticipate strong Q4FY26 earnings growth, with structural profitability improvements commencing in FY27. This outlook underpins our projected 24% PAT CAGR (FY25-FY28E), targeting a consolidated RoA of 2.7% and RoE of ~15.5% by FY28E. Consequently, we maintain a Buy rating with a revised price target of Rs. 345 (2.4x FY28E BVPS), reflecting consistent expansion and enhanced operational scale.

Key Risks

- Economic slow down
- Asset quality deteriorations

Valuation

| Particulars | FY24 | FY25 | FY26E | FY27E | FY28E |
|---------------------|-------|-------|-------|--------|--------|
| Net Interest Income | 7,536 | 8,667 | 9,807 | 12,042 | 14,785 |
| Net profit | 2,316 | 2,643 | 3,035 | 3,995 | 5,070 |
| EPS (Rs) | 9.2 | 10.6 | 12.4 | 16.0 | 20.4 |
| P/E (x) | 32.5 | 28.3 | 24.2 | 18.7 | 14.7 |
| P/BV (x) | 3.2 | 2.9 | 2.8 | 2.5 | 2.2 |
| RoE (%) | 10.3 | 10.8 | 11.5 | 13.8 | 15.5 |
| RoA (%) | 2.2 | 2.4 | 2.3 | 2.6 | 2.7 |

Source: Company; Mirae Asset Sharekhan estimates

Concall highlights

- **AUM growth:** Management eyes strong AUM growth of 20–25% in the next couple of years, supported by strong performance across key verticals. The MFI segment is showing clear signs of recovery, while gold loans performed well and expected to continue.
- **NII & NIM growth:** The management has set a guidance corridor of 10-10.5% for NIM plus fees, underpinned by strengthening core lending and a resurgence in Rural Business Finance. This trajectory is supported by a strategic shift toward high-yield segments—including Micro LAP, personal loans, SME loans, and gold loans—which act as primary drivers for margin expansion. While a long-term pivot toward prime segments may slightly compress top-line margins, management expects Return on Assets (ROA) to remain in the guided range as lower operating and credit costs offset the shift in yields.
- **Asset quality:** The management expects improvement in asset quality driven by the implementation of Cyclops, a key catalyst for reducing credit costs. Consequently, the company has guided for credit costs of 2.0%–2.2% by Q4 FY27, with the potential to achieve these levels ahead of schedule if favorable tailwinds persist. This technological integration is anticipated to yield a meaningful, long-term reduction in the overall risk profile.
- **Return ratio:** The management has reaffirmed its Lakshya 2026 targets, projecting a Return on Assets (RoA) of 2.8%–3.0% by Q4 FY27. Parallel to this, Return on Equity (RoE) is expected to settle in the mid-teens, reflecting the company's commitment to sustained profitability and efficient capital deployment.
- **Cyclops and AI implementation update:** The Cyclops underwriting tool continues to drive operational excellence, with net non-starters in the two-wheeler and farm segments improving to 0.41% and 0.42% as of December 2025. Following its full implementation in personal loans by Q4 FY26, Cyclops will expand into the mortgage and rural business finance verticals in FY27 to further suppress credit costs.

| Results | Rs cr | | | | |
|---------------------|--------------|--------------|--------------|--------------|-------------|
| Particulars | Q3FY26 | Q3FY25 | Y-o-Y % | Q2FY26 | Q-o-Q % |
| Interest Income | 4,240 | 3,806 | 11.4% | 4,037 | 5.0% |
| Interest Expenses | 1,703 | 1,569 | 8.5% | 1,634 | 4.2% |
| NII | 2,537 | 2,237 | 13.4% | 2,403 | 5.6% |
| Other Income | 341 | 299 | 14.3% | 298 | 14.4% |
| Total Income | 2,878 | 2,536 | 13.5% | 2,701 | 6.6% |
| Opex | 1,268 | 1,058 | 19.8% | 1,207 | 5.0% |
| PPOP | 1,611 | 1,478 | 9.0% | 1,494 | 7.8% |
| P&C | 590 | 654 | -9.8% | 506 | 16.7% |
| PBT | 1,021 | 824 | 23.9% | 989 | 3.2% |
| Tax | 254 | 198 | 28.2% | 254 | 0.1% |
| PAT | 766 | 626 | 22.5% | 735 | 4.3% |

Source: Company; Mirae Asset Sharekhan Research

Asset Quality

| Particulars | Q3FY26 | Q3FY25 | Q2FY26 | y-o-y (bps) | q-o-q (bps) |
|-------------|--------|--------|--------|-------------|-------------|
| GNPA | 3.19% | 3.23% | 3.29% | -4.0 | -10.0 |
| NNPA | 0.92% | 0.97% | 1.00% | -5.0 | -8.0 |

Source: Company; Mirae Asset Sharekhan Research

Actual vs Estimates

| Particulars (Rs. Crore) | Q3FY26E | Q3FY26A | Variance (%) |
|-------------------------|---------|---------|--------------|
| NII | 2,483 | 2,537 | 2.2% |
| PPOP | 1,698 | 1,611 | -5.1% |
| PAT | 763 | 766 | 0.5% |

Source: Company; Mirae Asset Sharekhan Research

Additional Data

Top 10 shareholders

| Sr. No. | Holder Name | Holding (%) |
|---------|---------------------------|-------------|
| 1 | Larsen & Toubro | 66.02 |
| 2 | Citigroup Global Markets | 3.82 |
| 3 | Mirae Asset Financial Grp | 1.87 |
| 4 | Kotak Mahindra Asset | 1.77 |
| 5 | Invesco Asset | 1.75 |
| 6 | Moitlal Oswal | 1.64 |
| 7 | Vanguard Group | 1.33 |
| 8 | Axis Mutual Fund | 1.29 |
| 9 | Axis Asset Management | 1.28 |
| 10 | ICICI Prudential | 1.17 |

Source: Bloomberg

Key management personnel

| Name | Designation |
|----------|--------------------|
| MD & CEO | Sudipta Roy |
| CFO & ED | Sachin Joshi |
| Chairman | S. N. Subrahmanyam |

Source: Company Website

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Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai - 400708. Tel: 022 61169000 / 61150000.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

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Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

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