

Fraught with challenges, recovery distant

Reflecting mixed earnings, L&T Finance's (LTF) Q3 was marked by judicious business expansion, tech-led customer filtrations, collections ramp-up and drawdown on macro prudential provisions on the positive side. On the flip side, a tad distant recovery, persistent MFI stress, resultant elevated credit costs, weakening NIM+ fees stream, and recalibrated growth hurt earnings and return profile alike. While we closely monitor the benefits from sharpening underwriting through advanced tech implementation (cyclops – targeting PDs with rigorous customer screening), which is 2-3 quarters away, we do factor in near-term headwinds and thus, pare **TP to INR 171 (from INR 200)**. **Maintain Accumulate as valuations have corrected.**

Macro provisions drawdown, a savings grace; near-term PAT pressures stay: In Q3, PAT declined 10% QoQ/2% YoY due to elevated provisions (up 42% QoQ) but the earnings fall was curbed by drawdown of macro provisions to the tune of INR 1bn of INR 9.8bn related to MFI stress, with anticipation of another INR 3.5bn in Q4. However, NII was a drag (up just 3% QoQ) on soft growth (16% YoY/2% QoQ) and NIM+ fees at 10.33% (missing guided corridor of 10.5-11%) on selective business expansion. Some breather in opex (down 21% QoQ) restricted the PPop fall (up mere 6% QoQ/12% YoY), but cost-income was elevated at 40%, driven by festival season-led spend, ramp-up in collections and continued tech investments. With MFI recovery still distant and growth calibration underway, FY25-26 earnings will be strained, driving down RoEs.

Focus on de-risking balance sheet underway; growth to remain soft: In Q3, overall loan growth run-rate dropped to 16% YoY due to stress in MFI (28% of AUM), change in farm equipment business (16% of AUM) policy, flight to safety in two-wheelers (13%) and personal loan (8%) segments with incremental focus on prime/salaried customers. So, MFI disbursements slowed with quarterly run-rate dropping to INR 46bn from ~INR 56bn in the past year, compensated by guarded incremental disbursements run-up in farm equipment and two-wheelers. With persistent industry headwinds and cautionary stance, expect 14% YoY/19% growth in FY25E/26E, respectively.

Credit cost to peak in Q4, recovery distant: LTF saw only slight slip-up in retail Stage 2 as collection efficiencies held up (0 dpd at 99.4% in Q3 versus 99.8% in Q3FY24, 0-90dpd at 97.9%), led by two counts: (a) high MFI concentrated states (Bihar, Karnataka, Tamil Nadu: ~58% of book) showing normalization signs (impact from Bihar floods behind) a (b) limited forward flows in non-MFI. But another INR 3.5bn drawdown on provision in Q4 for the same and MFI recovery being 2-3 quarters away would imply credit costs now settling to a new normal of 2.5-2.55%, NPAs averaging at 4%: FY25E-27E.

Near-term outlook gloomy: We trim FY26E/27E estimates by ~10% each on earnings pressure. Near-term pressure on growth should have a larger bearing on RoEs, the latter likely restricted to <12% and 12%+ in FY26-27E. So, despite stock correction, maintain Accumulate. We cut TP to INR 171 (from INR 200) valuing LTF at 1.3x FY27E PABV from 1.5x earlier. Conviction on new portfolio behavior may drive a rerating.

Key Financials

YE March	FY23	FY24	FY25E	FY26E	FY27E
NII (INR mn)	69,747	75,367	87,320	98,644	113,913
YoY (%)	13.1	8.1	15.9	13.0	15.5
PPoP (INR mn)	36,908	43,514	56,519	66,872	78,450
YoY (%)	25.9	17.9	29.9	18.3	17.3
PAT (INR mn)	15,365	23,171	25,890	31,959	39,857
YoY (%)	46.4	50.8	11.7	23.4	24.7
EPS (INR)	6.2	9.3	10.4	12.8	16.0
RoE (%)	7	10.3	10	11.4	12.6
RoA (%)	1.4	2.2	2.3	2.5	2.8
P/E (x)	23.6	15.7	14.0	11.4	9.1
P/ABV (x)	1.8	1.6	1.4	1.3	1.1

Note: Pricing as on 21 January 2025; Source: Company, Elara Securities Estimate

Rating: [Accumulate](#)

Target Price: [INR 171](#)

Upside: [17%](#)

CMP: [INR 146](#)

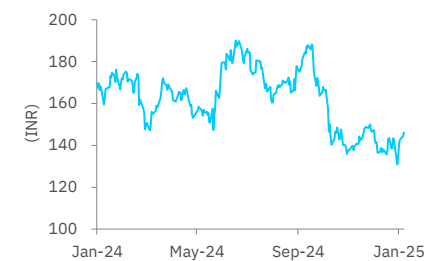
As on 21 January 2025

Key data

Bloomberg	LTF IN
Reuters Code	LTFH.NS
Shares outstanding (mn)	2494
Market cap (INR bn/USD mn)	364/4,209
Enterprise Value (INR bn/USD mn)	0/0
Avg daily volume 3M (INR mn/USD mn)	1,277/15
52 week high/low	194/129
Free float (%)	34

Note: as on 21 January 2025; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q4	Q1	Q2	Q3
	FY24	FY25	FY25	FY25
Promoter	65.9	66.4	66.3	66.3
% Pledged	-	-	-	-
FII	11.1	7.3	6.7	5.3
DII	8.7	11.6	12.3	12.2
Others	14.4	14.7	14.7	16.3

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(7.1)	(6.1)	6.7
L&T Finance	(7.4)	(17.0)	(12.5)
NSE Mid-cap	(6.7)	(3.7)	12.0
NSE Small-cap	(7.1)	(5.1)	12.5

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Financials (YE March)

Income Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Interest Income	69,747	75,367	87,320	98,644	113,913
Other income	5,298	11,412	10,840	11,545	13,515
Total net Income	75,045	86,779	98,160	110,189	127,428
Less :- Opex (Incl depreciation)	38,136	43,265	41,641	43,317	48,978
Pre-provisioning Operating Profit	36,908	43,514	56,519	66,872	78,450
Less:- Provisions	15,602	13,224	21,897	24,192	25,187
PBT	21,307	30,290	34,622	42,680	53,263
Less :- Taxes	1,724	7,119	8,732	10,721	13,406
Exceptional items+ profit from associate	(4,218)	-	-	-	-
Reported PAT	15,365	23,171	25,890	31,959	39,857
Balance Sheet (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Capital	24,797	24,889	24,889	24,889	24,889
Reserves & Surplus	191,381	210,391	240,444	272,403	312,259
Net worth	216,178	235,280	265,333	297,293	337,150
Non-current liabilities	844,555	788,787	922,197	1,017,789	1,150,637
Current Liabilities	2,888	3,108	6,465	21,565	51,171
Total Liabilities	1,063,621	1,027,177	1,193,997	1,336,648	1,538,958
Fixed assets	5,573	5,550	7,617	9,038	9,732
other non current assets	143,662	123,849	124,413	78,692	53,100
Cash and bank balances	127,489	46,760	46,293	48,607	51,038
Loans and advances	751,546	813,594	984,449	1,171,494	1,394,078
Other current assets	35,352	37,424	31,225	28,816	31,012
Total Assets	1,063,621	1,027,176	1,193,997	1,336,648	1,538,958
Per Share data & Valuation Ratios	FY23	FY24	FY25E	FY26E	FY27E
EPS- (INR)	6.2	9.3	10.4	12.8	16.0
BV (INR)	86.8	94.2	106.2	119.1	135.1
ABV- (INR)	81.5	89.3	101.8	115.7	132.8
P/E- (x)	23.6	15.7	14.0	11.4	9.1
P/ABV-(x)	1.8	1.6	1.4	1.3	1.1
Yield and Cost (%)					
Yield on advances	15.1	15.5	16.0	15.2	15.1
Cost of funds (calc)	6.9	6.6	6.9	6.7	7.3
Net Interest Margin (%)	8.2	9.1	9.5	9.2	8.9
Asset Quality (%)					
Gross NPA (%)	4.7	4.9	4.5	4.0	3.5
Net NPA (%)	2.3	2.1	1.6	1.0	0.6
% coverage of NPA - RHS	51.2	57.0	64.1	74.1	83.5
credit cost (calc)	1.9	1.6	2.4	2.3	2.0
Capital Adequacy (%)					
Tier 1	19.0	19.0	19.0	19.0	19.0
CAR	22.5	22.5	22.5	22.5	22.5
Growth Rates (%)					
Loan growth	(8.9)	8.0	21.0	19.0	19.0
Earnings growth	46.4	50.8	11.7	23.4	24.7
Business Ratios					
RoAA (%)	1.4	2.2	2.3	2.5	2.8
Core RoE (%)	7.5	10.3	10.4	11.4	12.6
Dividend Yield (%)	2.9	1.0	1.0	1.2	1.2
Dividend payout (%)	33.1	64.8	58.0	37.6	30.1

Note: Pricing as on 21 January 2025; Source: Company, Elara Securities Estimate

Quarterly financials

Particulars (INR mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
NII	22,371	18,330	22.0	21,781	2.7
PPoP)	14,999	13,380	12.1	14,146	6.0
PAT	6,257	6,400	(2.2)	6,967	(10.2)

Source: Company, Elara Securities Research

Conference call takeaways

Business outlook

- ▶ Rural consumption remains inadequate to offset urban drag, but urban demand is expected to improve in Q4 as inflation eases. *Rabi* sowing should help ensure a soft landing post-April.
- ▶ Disbursements grew 5% YoY, in line with Lakshya goals. The consolidated book grew 16% YoY, with retail growing 23% YoY and retailization at 97%, surpassing the 95% target.
- ▶ Disbursements were consciously slowed in sectors where the risk-reward profile was unfavorable, with calibrated disbursements in the RBF segment. Efforts were skewed towards onboarding resilient customers in tough credit cycles.
- ▶ In the two-wheeler business, there is a shift towards prime customers.
- ▶ For personal loans (PL), growth is driven by fintech partnerships and expanding physical touchpoints, focusing solely on prime salaried customers with risk-calibrated scaling. The business is growing at INR 5,500-5,600mn monthly, with Cyclops implementation in PL and SME this quarter to streamline unsecured business.
- ▶ The average PL tenure is 30 months.
- ▶ MFI, farm, two-wheeler, and PL segments may face near-term challenges due to over-leveraging but are gradually moving towards prime, indicating 2-3 quarters of pain.
- ▶ The trade advance book to dealers has reduced, impacting the two-wheeler business.
- ▶ A dedicated team is now sourcing non-leveraged customers in better-performing geographies.
- ▶ The target for ROA is 2.5-3%. Debt/equity ratio is currently 3x, with a target of 5x.
- ▶ MFI growth should ideally be 15-20%, and post-MFIN guardrails, the industry is expected to adjust to these safer growth rates in the long term.
- ▶ Overall growth will depend on improving collection efficiency.

Margin analysis

- ▶ In Q3, NIM + fees stood at 10.33%, led by a conscious shift in disbursements and liability mix. Stabilization in rural business loans is expected to cause 2-3 quarters of turbulence, but LTF will fare better.
- ▶ NIM + fees are projected to remain within the 10.5-11% corridor, but as the focus shifts towards prime customers, NIM + fees will likely decline. However, this near-term pressure will be offset by a reduction in opex and credit costs.
- ▶ MFI yields have already been tempered, with the current yield of 23% reflecting higher-leveraged customers. The ideal yield is 16%, with average yield still remaining high.

Asset quality

- ▶ The focus will be on sourcing higher-quality customers. In Q3, INR 1bn from macro-prudential provisions was utilized, and collection efficiency (CE) is expected to improve during February-March.
- ▶ Following the implementation of Cyclops in the two-wheeler business, it has now been extended to the farm equipment business.

- ▶ A routine ARC sale resulted in a provision reversal of INR 2,500mn, pertaining to a real estate account. The same amount of provision was created on SR. The principal outstanding was INR 7,763.7mn, with EAD of INR 8,150mn, which was sold for INR 8,330mn, resulting in a gain of INR 180mn. About 75% of the sale amount, or INR 7,080mn, was booked as an investment, with INR 180mn adjusted, and INR 2,500mn adjusted against the SR value, bringing the net carrying value to INR 4,400mn.
- ▶ Provision run-rate stands at INR 4,400mn after removing INR 1,700mn from the MFI business. While the full benefit of process changes is not yet visible due to the legacy portfolio, the new portfolio's performance will materialize in the next few quarters.
- ▶ Changes in the farm equipment portfolio will be seen after the stoppage of repo, and the two-wheeler strategy has shifted towards prime customers. The positive impact on credit costs will be evident in 2-3 quarters as the new book gets seasoned.
- ▶ Overall write-offs have occurred across the business segments, with INR 3bn written off from MFI loans, while other segments saw an equal distribution of write-offs.
- ▶ In the MFI portfolio, the write-off rate is 7% for 3+ lenders and 2.5% for 4+ lenders, with the overall block at 4%, and CE at 97%. The write-off policy for MFI is 100% provision when loans cross 90 DPD. For other portfolios, the write-off policy depends on ECL model and leverage status.
- ▶ Credit costs generally reflect with a one-quarter lag.
- ▶ As CE declines, roll-forwards will occur, with prior-quarter roll-forwards also contributing. December showed improvement over November, and if this trend continues, roll-forwards may slow. Hence, credit costs are expected to peak in Q4, with Q1FY26 seeing a potential slowdown.
- ▶ The MFIN guardrails will support smoother customer repayments.
- ▶ GS2 is contingent on MFI loans, and while disbursements improved in December, visibility on Stage 2 loan decline will come in 1-2 quarters. However, the lead indicators look positive, and the full visible impact of Cyclops will be seen in three quarters.

Operational dynamics

- ▶ Festival season-led spending, a ramp-up in collection efforts, and tech investments related to the operationalization of Cyclops have led to increased operating expenses in Q3.
- ▶ Project Cyclops is implemented in PL, SME, and two-wheeler businesses, with 100% deployment in the two-wheeler segment. The tractor segment is already live, and PL/SME are in advanced stages of implementation.
- ▶ The focus is on sourcing prime salaried customers, with confidence in the current sourcing strategy.
- ▶ Cyclops targets PD and customers that qualify based on this criteria, sharpening credit outcomes further. The maximum benefits will be realized in the two-wheeler, farm business, and PL segments, where customers are new-to-credit with thin credit bureau data.
- ▶ The MFI business has added 900 collection officers, including a hard-bucket collections team, with a total collections team of 1,200.
- ▶ The focus is also on increasing insurance fees (currently 1% of the book) to boost fee income.

Exhibit 1: LTF's Q3 earnings – First impression

Consolidated income statement (INR mn)	Q3FY25	Q3FY24	YoY (%/bps)	Q2FY25	QoQ (%/bps)	Quick comments
Interest income	38,064	31,860	19.5	36,544	4.2	
Interest expense	15,692	13,530	16.0	14,763	6.3	
NII	22,371	18,330	22.0	21,781	2.7	NII came slightly above our estimates of INR 21,264mn, up 2.7% QoQ/22% YoY led by increase in interest income
Other Income	2,458	3,990	(38.4)	2,941	(16.4)	
Total income	24,830	22,320	11.2	24,722	0.4	
Staff expenses	5,793	4,507	28.5	5,488	5.6	
Other expenses	4,038	4,434	(8.9)	5,089	(20.7)	
Total operating expenses	9,830	8,940	10.0	10,577	(7.1)	Opex fell 7.1% QoQ but rose 10% YoY, below estimates, driven by better operational efficiency
Operating profit	14,999	13,380	12.1	14,146	6.0	PPoP for the quarter was slightly above estimates, supported by lower opex and decent NII, up 6% QoQ and 12.1% YoY
Provisions	6,760	5,140	31.5	4,750	42.3	Provisions spiked 42.3% QoQ and 31.5% YoY, driven by higher buffer creation for risks in MFI
PBT	8,239	8,240	(0.0)	9,396	(12.3)	
Tax	1,983	1,840	7.7	2,429	(18.4)	
PAT	6,257	6,400	(2.2)	6,967	(10.2)	PAT was slightly above estimates but declined 10.2% QoQ and 2.2% YoY, weighed down by higher provisions and subdued business traction
Asset quality						
GNPA (INR mn)	30,750	26,260	17.1	29,640	3.7	
NNPA (INR mn)	9,050	6,480	39.7	8,720	3.8	
GNPA (%)	3.23	3.2	2bps	3.19	4bps	Asset quality largely stable (up 4bps QoQ/2bps YoY)
NNPA (%)	1.0	0.8	16bps	1.0	1bps	
Coverage ratio (%)	70.6	75.3	(475)bps	70.6	(1)bps	PCR decreased by a significant 475bps YoY
Cost income ratio	39.6%	40.1%	(46)bps	42.8%	(319)bps	Cost-to-income ratio improved QoQ by >300bps
Balance sheet						
Borrowings	861,610	759,720	13.4	849,120	1.5	
Loans & advances	951,210	817,800	16.3	930,150	2.3	Caution prevails as AUM growth slows (2.3% QoQ/16.3% YoY), aligning with estimates
Disbursements	152,100	148,650	2.3	150,920	0.8	Disbursement was flat sequentially as the business slowed down
Profitability ratios						
NIM (%) calculated	9.51	9.14	38bps	9.59	(8)bps	NIM was compressed QoQ by 8bps as the focus tilts to secured loans and prime customers
RoAE (%)	10.21	11.35	(114)bps	11.65	(144)bps	

Source: Company, Elara Securities Research

Exhibit 2: Lakshya 2026 journey – RoA trajectory

Consolidated LTF (INR mn / %)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Retailization (%)	54.0	58.0	64.0	75.0	82.0	88.0	91.0	94.0	95.0	96.0	97.0
NIMs (%)	6.5	6.9	7.4	7.6	8.1	8.6	9.0	9.1	9.3	8.9	8.5
Fees (%)	1.7	1.5	1.4	1.6	1.6	2.2	2.0	2.1	1.8	1.9	1.8
NIMs + fees (%)	8.2	8.4	8.8	9.2	9.6	10.8	10.9	11.3	11.1	10.9	10.3
Opex (%)	3.0	3.2	3.4	3.6	3.8	4.3	4.4	4.7	4.5	4.2	4.4
Credit cost (%)	3.6	2.5	2.7	2.2	2.3	2.6	2.5	2.4	2.4	2.6	2.5
Opex + credit cost (%)	6.6	5.7	6.0	5.8	6.1	6.9	6.9	7.1	6.8	6.8	6.9
RoA (%)	1.0	1.6	1.7	1.9	2.1	2.4	2.5	2.2	2.7	2.6	2.3
PAT (INR Mn)	2,620	4,060	4,540	5,010	5,310	5,950	6,400	5,540	6,860	6,960	6,260
Retail book (INR mn)	477,940	520,400	570,000	610,530	642,740	694,170	747,590	800,370	844,440	889,750	922,240
Consolidated book (INR mn)	880,780	900,980	884,260	808,930	785,660	787,340	817,800	855,650	887,170	930,150	951,200
PCR (%)	55.0	55.0	60.0	69.0	71.0	76.0	75.0	76.0	75.0	71.0	71.0
NS3 (%)	1.9	1.9	1.7	1.5	1.2	0.8	0.8	0.8	0.8	1.0	1.0
CRAR (%)	23.0	23.0	23.0	25.0	26.0	25.0	25.0	23.0	22.0	22.0	22.0

Source: Company, Elara Securities Research

Exhibit 3: Aum split tilting towards retail

Particulars (INR mn)	Q3FY23	Q4FY24	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Retail	570,000	610,530	642,740	694,170	747,590	800,370	844,440	889,750	922,240
Wholesale	310,100	195,120	140,350	92,550	70,200	55,280	42,730	40,400	28,970
De-focused	4,160	3,280	2,570	620	0	0	0	0	0
Total AUM	884,260	808,930	785,660	787,340	817,790	855,650	887,170	930,150	951,210

Source: Company, Elara Securities Research

Exhibit 4: Disbursements break-down – Retail disbursement contributed 100% to the total as of Q3FY25

Particulars (INR mn)	Q3FY23	Q4FY24	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Retail	116,090	112,820	111,920	135,000	145,310	150,430	148,380	150,920	152,100
Wholesale	15,480	10,280	11,720	1,980	3,340	3,230	1,790	710	0
Total disbursements	131,570	123,100	123,640	136,980	148,650	153,660	150,170	151,630	152,100

Source: Company, Elara Securities Research

Exhibit 5: MFI, as a percentage of AUM, on the decline

Particulars (INR mn/%)	Q3FY23	Q4FY24	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
AUM (INR mn)	174,850	186,930	197,430	216,720	231,100	247,160	258,870	265,390	262,310
MFI as a percentage of total AUM	19.8	23.1	25.1	27.5	28.3	28.9	29.2	28.5	27.6
Disbursements (INR mn)	42,810	44,010	42,170	57,970	53,990	57,680	57,730	54,350	45,990
MFI disbursements as a percentage of total disbursements	32.5	35.8	34.1	42.3	36.3	37.5	38.4	35.8	30.2
Vintage (years)		14+	14+	14+	14+	15+	16+	16+	16+
Branch count (units in nos)	1,700	1,700	1,700	1,700	1,700	1,800	1,800	1,900	2,000
Customer base (mn)	17	12	13	14	14	14	14	14	15
Collection efficiency(%)	99.8	99.8	99.8	99.8	99.8	99.8	99.7	99.4	99.4
LTFH exclusive customers (%)	40.0	40.0	40.0	40.0			40.0	40.0	40.0
Retention on disbursal (%)	50.0	50.0	50.0	70.0			70.0	70.0	70.0

Source: Company, Elara Securities Research

Exhibit 6: Farm Equipment Finance disbursements recover following a strong Kharif season

Particulars (INR mn/%)	Q3FY23	Q4FY24	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
AUM (INR mn)	124,470	128,190	131,250	133,510	138,450	138,920	142,040	144,880	150,750
<i>Farm Equipment Finance as a % of total AUM</i>	14.1	15.8	16.7	17.0	16.9	16.2	16.0	15.6	15.8
Disbursements (INR mn)	20,570	15,560	17,570	15,340	20,270	15,300	19,030	17,820	24,950
<i>Farm Equipment Finance as a % of total disbursements</i>	15.6	12.6	14.2	11.2	13.6	10.0	12.7	11.8	16.4
Vintage (years)	#REF!	18+	18+	18+	18+	19+	19+	20+	20+
Branch count (nos)	170.0	170.0	170.0	170.0	170.0	170.0	170.0	170.0	170.0
Customer base (mn)	0.8	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
States of presence	Telangana, Karnataka, Madhya Pradesh	Telangana, Karnataka, Madhya Pradesh, Uttar Pradesh	Telangana, Karnataka, Madhya Pradesh, Uttar Pradesh	Telangana, Karnataka, Madhya Pradesh, Uttar Pradesh	Telangana, Karnataka, Madhya Pradesh, Uttar Pradesh	Uttar Pradesh, Madhya Pradesh, Telangana, Karnataka	Uttar Pradesh, Madhya Pradesh, Telangana, Karnataka	Uttar Pradesh, Madhya Pradesh, Telangana, Karnataka	Uttar Pradesh, Madhya Pradesh, Telangana, Karnataka
Dealer relationships (units in no.)	2,500+	2,500+	2,500+	2,500+	3,000+	~2,500	~2,500	~2,500	~2,500
TAT (no. of hrs)	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Collection efficiency (%)	91.9	93.6	91.2	91.6	91.8	93.3	91.8	91.5	92.8

Source: Company, Elara Securities Research

Exhibit 7: Increased focus on salaried prime customers within the two-wheeler segment

Particulars (INR mn/%)	Q3FY23	Q4FY24	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
AUM (INR mn)	87,160	89,600	91,900	95,180	104,470	112,050	120,250	126,690	126,760
<i>Two wheeler Finance as a % of total AUM</i>	9.9	11.1	11.7	12.1	12.8	13.1	13.6	13.6	13.3
Two wheeler Finance disbursements (INR mn)	21,460	17,270	17,260.0	18,170.0	25,400.0	25,020.0	26,210.0	23,930.0	24,140.0
<i>Two wheeler as a % of total disbursements</i>	2.4	2.1	14.0	13.3	17.1	16.3	17.5	15.8	15.9
Vintage (years)		10+	10+	10+	10+	10+	10+	10+	10+
Branch count (units in no.)	NA	NA	NA	101	107	109	111	128	137
Customer base (mn)	5.5	6.5	6.5	6.7	7.0	7.3	7.5	7.5	7.5
States of presence	West Bengal, Maharashtra, Gujarat	West Bengal, Maharashtra, Gujarat	West Bengal, Maharashtra, Gujarat	West Bengal, Maharashtra, Gujarat	West Bengal, Maharashtra, Gujarat	West Bengal, Maharashtra, Gujarat	West Bengal, Gujarat, Tamil Nadu	West Bengal, Gujarat, Tamil Nadu	West Bengal, Gujarat, Tamil Nadu
Dealer relationships (units in no.)	5,000+	5,500+	5,500+	6,500	6,500	10,500+	11,000+	10,500+	9,500+
Collection efficiency	98.6	98.4	97.9	97.9	98.4	98.7	98.0	98.1	98.5

Source: Company, Elara Securities Research

Exhibit 8: Personal loan disbursements regain share; Cyclops to be implemented soon for the segment

Particulars (INR mn/%)	Q3FY23	Q4FY24	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Personal loan AUM		47,190	54,710	59,950	64,810	59,950	64,270	64,400	71,780
<i>Personal loan as a percentage of total AUM</i>		5.3	6.8	7.6	8.2	7.3	7.5	7.3	8.2
Personal loan disbursements (INR mn)		12,280	13,220	11,620	13,080	8,470	9,680	11,780	13,610
<i>Personal loan as a percentage of total disbursements</i>		1.4	1.6	9.4	9.5	5.7	6.3	7.8	10.8

Source: Company, Elara Securities Research

Exhibit 9: Home/LAP AUM continues to gain traction as the book tilts towards secured lending

Particulars (INR mn/%)	Q3FY23	Q4FY24	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Home AUM	98,680	106,780	112,740	122,160	132,570	145,500	156,900	169,300	182,020
<i>Home AUM as a % of total AUM</i>	11.2	13.2	14.3	15.5	16.2	17.0	17.7	18.2	19.1
LAP AUM	26,450	27,320	28,010	30,380	33,970	38,930	42,720	48,010	52,590
<i>Home AUM as a % of total AUM</i>	3.0	3.4	3.6	3.9	4.2	4.5	4.8	5.2	5.5
Home loans disbursements (INR mn)	10,740	12,440	10,720	13,560	15,120	18,230	16,560	17,910	17,890
<i>Home loans as a % of total disbursements</i>	8.2	10.1	8.7	9.9	10.2	11.9	11.0	11.8	11.8
LAP disbursements (INR mn)	1,250	2,340	2,270	3,780	4,870	6,900	5,880	7,390	6,860
<i>LAP as a % of total disbursements</i>	1.0	1.9	1.8	2.8	3.3	4.5	3.9	4.9	4.5
Home/LAP disbursements (INR mn)	11990	14780	12,990.0	17,340.0	19,990.0	25,130.0	22,440.0	25,300.0	24,750.0
<i>Home /LAP as a % of total disbursements</i>	9.1	12.0	10.5	12.7	13.4	16.4	14.9	16.7	16.3

Source: Company, Elara Securities Research

Exhibit 10: SME Finance AUM growth continues to outpace other segments

Particulars (INR mn/%)	Q3FY23	Q4FY24	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
SME Finance AUM	8,380	13,780	17,790	24,130	30,780	39,050	44,710	51,900	58,170
<i>SME Finance AUM as a % of total AUM</i>	0.9	1.7	2.3	3.1	3.8	4.6	5.0	5.6	6.1
SME Finance disbursements (INR mn)	5,380	6,670	6,070	8,720	9,650	12,130	9,780	12,440	12,490
<i>SME Finance as a % of total disbursements</i>	4.1	5.4	4.9	6.4	6.5	7.9	6.5	8.2	8.2

Source: Company, Elara Securities Research

Exhibit 11: Exhibit 11: Lakshya 2026 – Goals versus current scenario

Particulars (%)	Retailization	Retail growth	Retail asset quality	Retail RoA
Lakshya 2026 goals	>80	>25 CAGR	GS3 <3 NS3 <1	2.8 - 3
Year 0 - FY22 Retail	51	10 YoY	GS3 3.82 NS3 1.14	Q4 2.58 FY 1.66%
Year 1 - FY23 Retail	75	35 YoY	GS3 3.41 NS3 0.71	Q4 2.95 FY 2.46%
Year 2 - FY24 Retail	94	31 YoY	GS3 3.15 NS3 0.79	Q4 2.19 FY 2.32%
Year 3 - Q1FY25 Retail	95	31 YoY	GS3 3.14 NS3 0.79	Q1 2.68
Year 3 - Q2FY25 Retail	96	28 YoY	GS3 3.19 NS3 0.96	Q2 2.60
Year 3 - Q3FY25 Retail	97	23 YoY	GS3 3.23 NS3 0.97	Q3 2.27
Year 3 - FY25 Retail	98	19	GS3 4.49	2.33
Year 4 - FY26 Retail	99	19	GS3 3.97	2.53

Source: Company, Elara Securities Research

Exhibit 12: Robust collection efficiencies sustained over time

Particulars (%)	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	
Rural business finance																			
Rural group loans and micro finance	99.8	99.8	99.8	99.8	99.8	99.8	99.8	99.8	99.8	99.7	99.7	99.6	99.5	99.5	99.4	99.3	99.3	99.4	
Farmer finance																			
Farm equipment finance	90.8	90.7	91.6	87.5	88.8	91.8	91.4	91.7	91.7	88.4	91.1	91.8	90.7	90.8	91.5	88.9	90.3	92.8	
Urban finance																			
Two-wheeler finance	98.3	98.2	97.9	98.0	97.8	98.4	98.3	98.6	98.7	97.1	98.3	98.0	97.8	98.0	98.1	98.1	98.1	98.5	
Home loans & lap	99.7	99.2	99.4	99.2	99.4	99.6	99.7	99.8	99.8	99.6	99.7	99.7	99.7	99.8	99.6	99.8	99.8	99.7	
Personal loans	98.7	98.8	98.3	98.5	98.2	98.7	98.5	98.6	98.8	97.6	98.5	98.4	98.4	98.5	98.3	98.4	98.7	98.8	
SME finance	99.7	99.8	99.8	99.8	99.7	99.7	99.7	99.7	99.7	99.5	99.6	99.6	99.7	99.5	99.7	99.5	99.5	99.5	

Source: Company, Elara Securities Research

Exhibit 13: ODPD across flagship products better than industry standards

Particulars (%)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Rural group loans & micro finance (JLG)						
Industry	87.0	87.2	86.8	87.4	86.9	83.5
LTFH	96.8	97.1	97.0	96.8	96.5	95.8
Farm equipment finance						
Industry	77.0	78.6	77.1	79.5	78.2	79.5
LTFH	84.5	83.0	85.7	84.8	85.3	85.7
Two wheeler finance						
Industry	79.6	80.3	81.1	80.7	78.1	78.9
LTFH	88.6	88.9	90.1	89.0	89.5	89.1

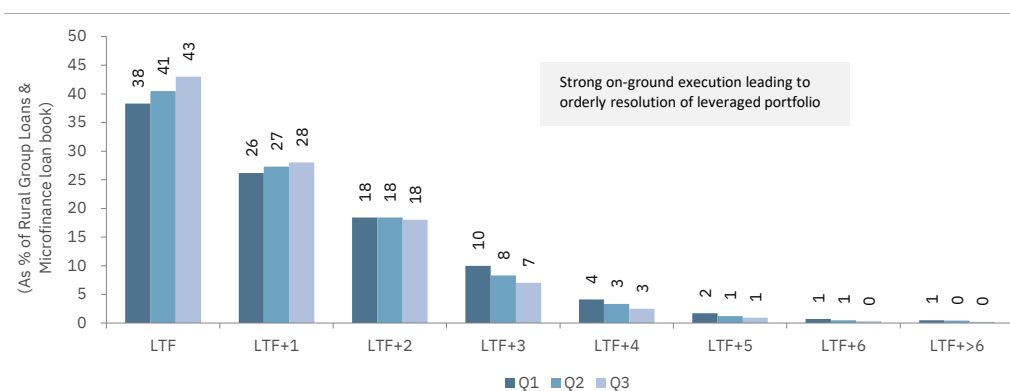
Source: Company, Elara Securities Research

Exhibit 14: Retail asset quality on downtrend; visibility on Stage 2 loans down (to return in 1-2 quarters)

Gross assets (%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Stage 1	533,830	573,560	604,800	654,330	705,910	758,630	800,650	842,360	873,250
Stage 2	16,420	16,160	17,310	18,680	19,630	19,030	20,240	22,170	22,730
Stage 3	19,760	20,810	20,630	21,160	22,050	22,710	23,550	25,230	26,270
Total	570,010	610,530	642,740	694,170	747,590	800,370	844,440	889,760	922,250
Provisions									
Stage 1	3,040	2,980	3,810	4,840	4,710	4,370	4,400	4,330	4,920
Stage 2	10,250	12,070	12,540	12,610	12,960	13,080	13,540	13,290	12,660
Stage 3	15,690	16,590	16,260	16,650	17,390	17,860	18,450	18,270	18,980
Total	28,980	31,640	32,610	34,100	35,060	35,310	36,390	35,890	36,560
Net assets									
Stage 1	530,790	570,580	600,990	649,490	701,200	754,260	796,250	838,020	868,330
Stage 2	6,170	4,090	4,770	6,070	6,670	5,950	6,700	8,880	10,060
Stage 3	4,070	4,220	4,370	4,510	4,660	4,850	5,100	6,960	7,290
Total	541,030	578,890	610,130	660,070	712,530	765,060	808,050	853,860	885,680

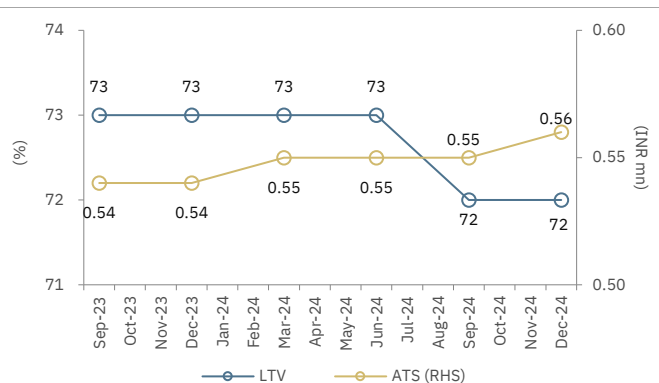
Source: Company, Elara Securities Research

Exhibit 15: Customer association on rural group loans and microfinance loan book



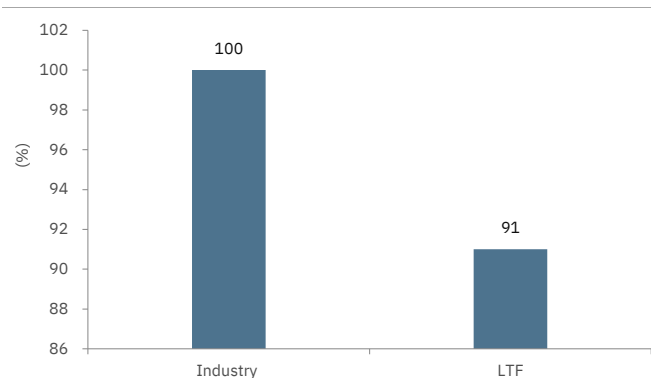
Source: Company, Elara Securities Research

Exhibit 16: Farm Equipment Finance – Optimum LTV and margin levels



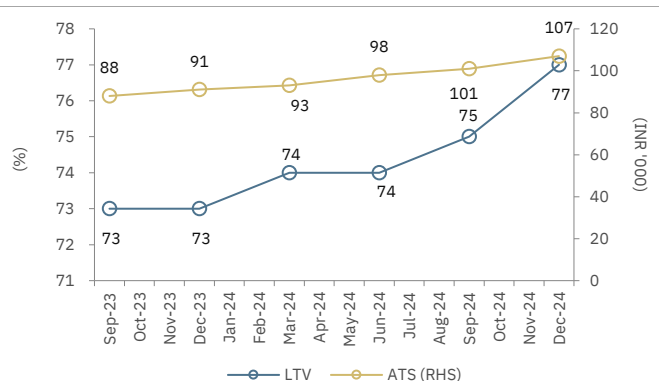
Source: Company, Elara Securities Research

Exhibit 17: Farm Equipment Finance – Delinquency levels better than industry average



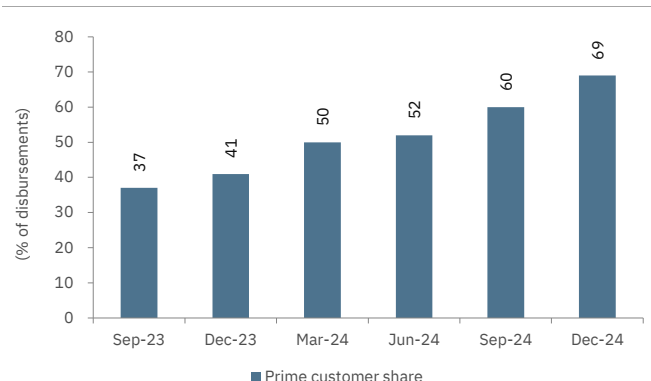
Note: Indexed representation of industry delinquency versus LTF; Source: Company, Elara Securities Research

Exhibit 18: Two-wheeler finance – Optimum LTV and margin levels



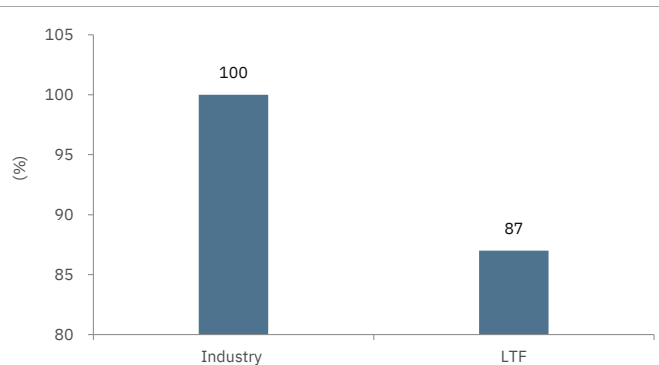
Source: Company, Elara Securities Research

Exhibit 19: Two-wheeler finance – Focus on prime customer base



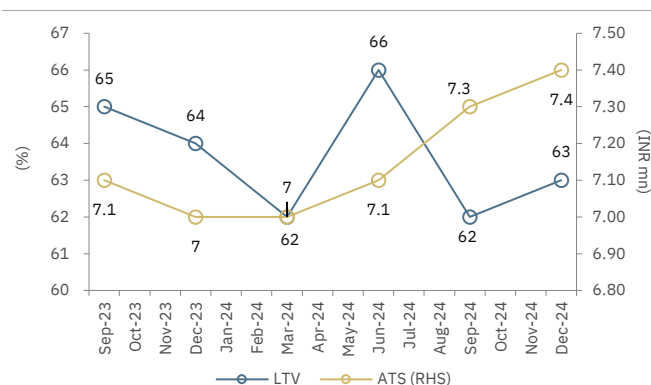
Source: Company, Elara Securities Research

Exhibit 20: Two-wheeler finance – Delinquency better than industry average



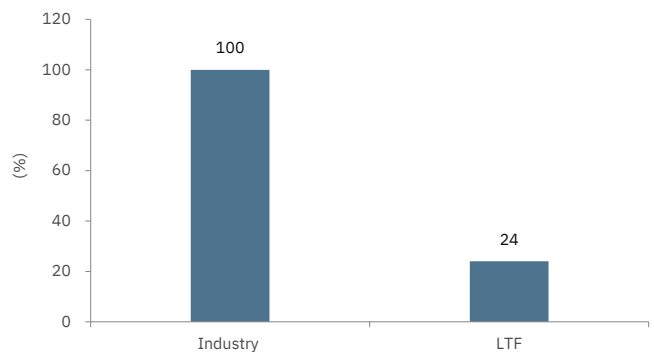
Note: Indexed representation of industry delinquency versus LTF; Source: Company, Elara Securities Research

Exhibit 21: Home Loans - Optimum LTV and margin levels



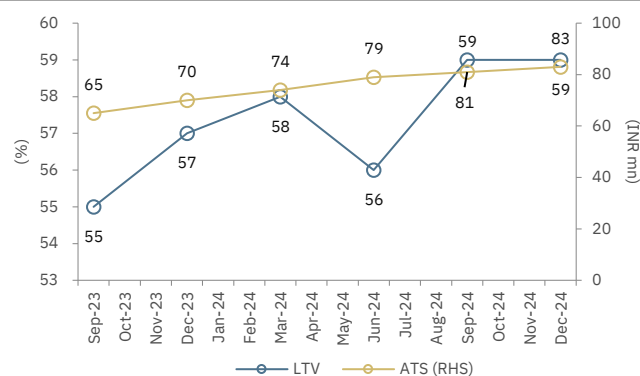
Source: Company, Elara Securities Research

Exhibit 22: Home Loans – Delinquency levels significantly better than industry average



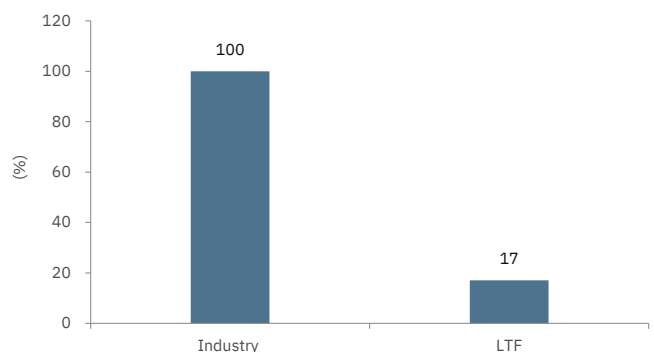
Note: Indexed representation of Industry Delinquency versus LTF; Source: Company, Elara Securities Research

Exhibit 23: LAP – Optimum LTV and margin levels



Source: Company, Elara Securities Research

Exhibit 24: LAP – Delinquency levels significantly better than industry average



Note: Indexed representation of Industry Delinquency versus LTF; Source: Company, Elara Securities Research

Exhibit 25: PLANET app – Developing digital finance delivery as value proposition for customers

Particulars (INR/No's mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Sourcing	8,430	6,300	11,680	11,750	7,150	11,260	10,240	16,830	20,270
Collections	630	1,040	1,320	1,910	2,960	3,690	5,290	6,410	7,180
Servicing (%)	38.0	42.0	47.0	47.0	67.0	75.0	82.0	82.0	86.0

Source: Company, Elara Securities Research

Exhibit 26: Enhancing customer acquisition

Cross-sell and up-sell (%)	Q1FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Total retail disbursement share (count)	41	46	46	43	43
Total retail disbursement share (value)	34	34	36	35	32
Rural group Loans & MFI repeat % (count)	50	58	59	53	56
Rural group loans & MFI repeat % (value)	61	69	71	66	69
Farm equipment finance repeat % (value)	19	25	19	39	22
Personal loans to existing customers % (value)	44	59	63	61	49

Source: Company, Elara Securities Research

Exhibit 27: Next-gen omni-product and omni-customer underwriting engine

Raw data	Pre-processed data	ML model	BRE
Existing to credit	Bureau	ETC	ETC+AA
Banking	Account aggregator (AA)	Salaried/non salaried	ETC+ trust signals
Payment transactions	Trust signals	Trust scores Thick file/Thin file	NTC+AA
Asset/customer location	Micro geography	NTC	NTC+ Trust signals
Historic performance	External Affluent Index	KYC image/video	NTC+ micro geography
KYC image/video		TW : 18 Scorecards FARM : 24 Scorecards	

Source: Company, Elara Securities Research

Exhibit 28: Stringent portfolio policy and sourcing norms

Applicant to be ODPD	Strict association norms	JLG indebtedness norms	Income estimation & total indebtedness norms	Maker-checker mechanism for sourcing
LTF only onboards if the customer is a 0 DPD JLG customer	Maximum of three lenders including LTF (both for fresh and repeat customers)	Total JLG indebtedness for three lenders, including LTF restricted up to INR 0.2mn	Household income estimation and details of total indebtedness as obtained from credit bureau	Independent unbiased assessment of borrower
				Maker
				Business field level officer (part of business function)
				Checker
				Branch process manager (separate appraisal vertical) ensures the following:
				- Estimation of standard of living & repayment capacity
				- KYC verification
				- On-ground sensing

If the applicant doesn't satisfy any of 1, 2 and 3 conditions then the loan application will not be processed

Source: Company, Elara Securities Research

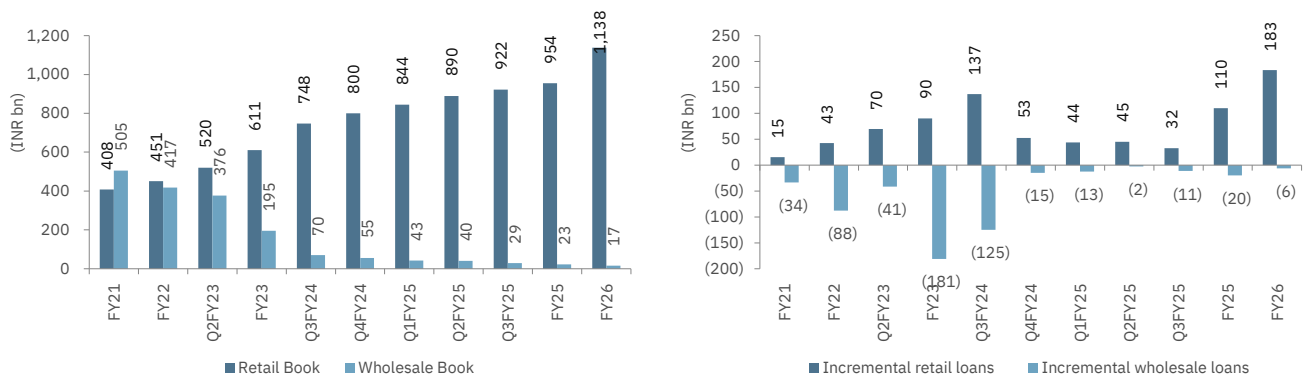
Exhibit 29: Portfolio monitoring norms

Monthly customer leverage tracker	Strong monthly customer leverage tracker early warning signals	Exclusive risk control unit
Comprehensive customer leverage tracker dashboard deployed	Customer profiling to predict repayment behaviour and propensity to default	700-member strong team with pan India presence, which acts as a strong line of defense for fraud prevention and control
Dashboard collates data of customer leverage with LTF and other peers	Paying LTF's EMI but not paying external liabilities	Independent reporting to head of internal audit
Customers categorized basis their overall leverage and repayment history	Off-us customer profiling on monthly basis to monitor repayment behaviour	Scope of work involves: - Sourcing audit - Disbursement audit - Collection audit

Provides 360° view of customer leverage & output matrix for LTF decisioning on customer retention and geo strategy

Source: Company, Elara Securities Research

Exhibit 30: Accelerated deceleration in wholesale piece, retail expansion ahead of targets



Source: Company, Elara Securities Research

Exhibit 31: LTF – Business snapshot

Particulars (INR mn)	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
AUM	256,706	333,099	400,820	472,320	582,560	666,480	853,540	991,210	983,840	940,130	883,410	808,930	855,650	977,126	1,154,186	1,368,356
YoY growth %	41	30	20	18	23	14	28	16	(1)	(4)	(6)	(8)	6	14	18	19
DISBURSEMENTS	213,621	229,467	259,590	324,810	417,650	471,800	673,100	582,250	371,610	283,240	372,020	469,750	562,920	618,720	948,927	1,558,110
YoY growth %	(13)	7	13	25	29	13	43	(13)	(36)	(24)	31	26	20	10	53	64
NII	12,462	14,944	18,377	23,662	27,122	32,533	37,095	50,535	60,592	60,156	61,642	69,747	75,367	87,320	98,644	113,913
YoY growth %	18	20	23	29	15	20	14	36	20	(1)	2	13	8	16	13	15
OPEX	4,370	6,225	9,123	10,771	13,129	12,765	19,531	26,886	23,603	25,270	36,377	38,136	43,265	41,641	43,317	48,978
YoY growth %	37	42	47	18	22	(3)	53	38	(12)	7	44	5	13	(4)	4	13
PROVISIONS	1,834	2,731	4,261	6,617	7,810	15,899	14,182	7,009	19,942	29,780	17,092	15,602	13,224	21,897	24,192	25,187
YoY growth %	10	49	56	55	18	104	(11)	(51)	185	49	(43)	(9)	(15)	66	10	4
PAT	4,548	4,475	5,209	6,006	6,947	10,422	12,784	22,320	17,003	9,489	10,492	15,365	23,171	25,890	31,959	39,857
YoY growth %	15	(2)	16	15	16	50	23	75	(24)	(44)	11	46	51	12	23	25
NET WORTH	17,148	17,168	17,184	17,203	17,534	17,557	19,957	19,988	20,048	24,695	24,740	24,797	24,889	24,889	24,889	24,889
YoY growth %	21	0	0	0	2	0	14	0	0	23	0	0	0	-	-	-
EPS (INR)	2.65	2.23	2.59	2.85	3.04	5.23	6.41	11.17	8.48	3.84	4.24	6.20	9.31	10.40	12.84	16.01
YoY growth %	(5)	(16)	16	10	7	72	23	74	(24)	(55)	10	46	50	12	23	25
BOOK VALUE (INR)	27.72	31.86	33.90	37.07	40.36	39.72	57.16	67.28	73.29	76.02	80.63	86.82	94.17	106.24	119.09	135.10
YoY growth %	36	15	6	9	9	(2)	44	18	9	4	6	8	8	13	12	13
Adj. BOOK VALUE (INR)	26.53	30.21	30.28	34.71	35.52	32.55	48.20	59.67	66.03	72.12	75.88	81.54	89.30	101.78	115.70	132.83
YoY growth %	34	14	0	15	2	(8)	48	24	11	9	5	7	10	14	14	15

Source: Company, Elara Securities Estimate

Exhibit 32: Retain Accumulate with TP pared to INR 171 at 1.3x FY27E P/ABV

Valuation	FY27E
Fair value of consolidated business (INR)	171
Fair value of AMC (INR)	-
Fair value of PE/wealth management (INR)	-
Total - Fair value of LTF (INR)	171
Target P/ABV - lending business (x)	1.3
Target P/E (x)	10.7
Current price (INR)	146
Upside (%)	17.5
Dividend yield (%)	0.8
Total return (%)	18.3

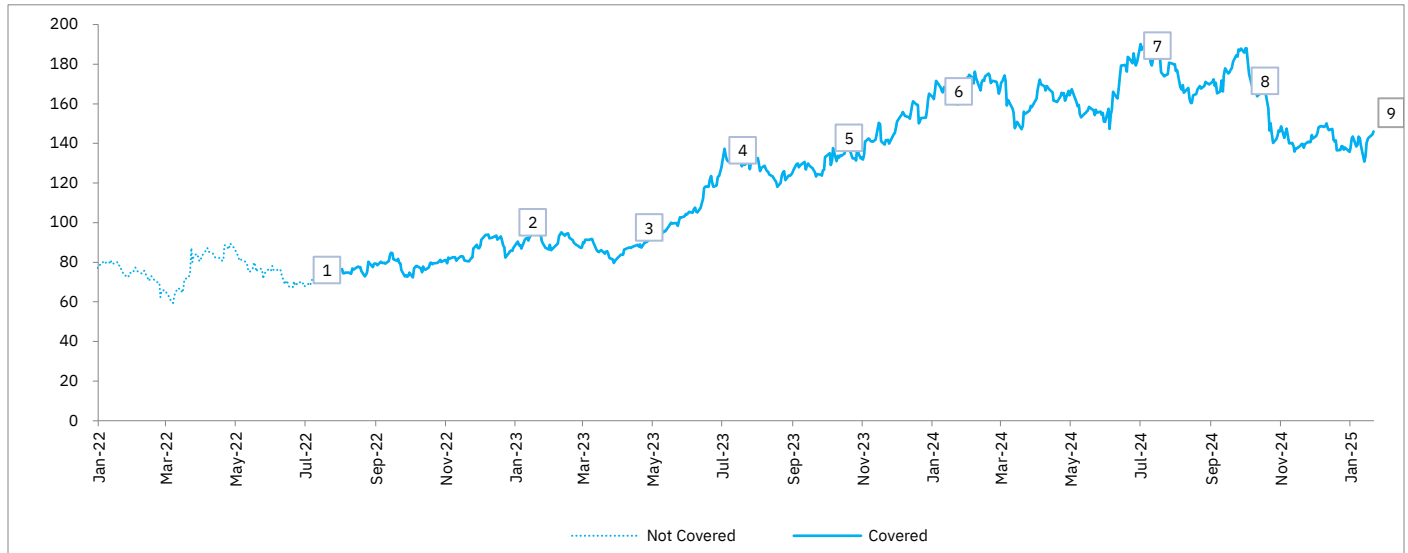
Source: Elara Securities Estimate

Exhibit 33: Change in estimate

(INR mn)	Old estimates			Revised estimates			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net interest income	86,022	104,437	128,766	87,320	98,644	113,913	1.5	(5.5)	(11.5)
Operating profit	55,568	72,477	88,351	56,519	66,872	78,450	1.7	(7.7)	(11.2)
Net profit	26,670	35,384	44,491	25,890	31,959	39,857	(2.9)	(9.7)	(10.4)
EPS (INR)	10.7	14.2	17.9	10.4	12.8	16.0	(2.8)	(9.6)	(10.5)
TP (INR)			200			171			(14.3)

Source: Elara Securities Estimate

Coverage History



	Date	Rating	Target Price	Closing Price
1	20-Jul-2022	Reduce	INR 75	INR 71
2	16-Jan-2023	Reduce	INR 92	INR 95
3	28-Apr-2023	Reduce	INR 97	INR 93
4	19-Jul-2023	Reduce	INR 137	INR 134
5	20-Oct-2023	Accumulate	INR 149	INR 138
6	24-Jan-2024	Buy	INR 209	INR 161
7	16-Jul-2024	Accumulate	INR 209	INR 184
8	18-Oct-2024	Accumulate	INR 200	INR 167
9	21-Jan-2025	Accumulate	INR 171	INR 146

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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