

Stable quarter; positive outlook on growth and credit cost

BFSI - NBFCs ▶ Result Update ▶ October 16, 2025

CMP (Rs): 269 | TP (Rs): 240

LTF posted broadly steady Q2FY26 results, with overall AUM growth at 15% YoY (~5% QoQ) led by strong disbursements across the retail segment (incl MFI, PL, GL). Margin (NIM+fee) was broadly stable at 10.22%, while NIM improved by ~18bps on account of moderating CoF (~26bps QoQ) and credit cost improving QoQ to 2.41% (2.98%, net of macro provision utilization of Rs1.5bn). Greenshoots visible in MFI, focus on acquiring prime/near-prime customers, and broader rollout of Cyclops are expected to help contain FY26 credit cost at 2.3-2.5% (LTF aspires to reduce it to 2% in the medium term). Also, the mgmt plans rebuilding macro buffers using recoveries from the SR book, where several accounts are in the advanced stage of resolution. Building in the Q2 performance and the H2 outlook, we tweak our estimates – increase FY26-28E RoE by 15-60bps and FY26-28E EPS by 2-5%; we retain REDUCE while revising up Sep-26E TP by 14% to Rs240 (from Rs210), implying FY27E P/B of 2.0x.

Stable quarter, with visible improvement in MFI

LTF logged PAT of Rs7.3bn – ~5% QoQ/YoY growth, marginally hit by continued elevated credit cost (at 2.41%), which has started declining and is expected to moderate further in coming quarters. Overall AUM growth was 5%/15% QoQ/YoY, led by robust disbursements (~Rs189bn) across products. Margins (NIMs+Fees) were broadly stable at 10.22%, while NIMs improved by ~18bps led by CoF moderation. Fee income in the quarter moderated, on change in asset mix due to slower growth in the MFI segment resulting in rising share of low-yielding product in overall AUM. Asset quality was largely stable, with GS3/NS3 at 3.27%/1%; the mgmt has utilized Rs1.5bn of the macro prudential buffer in MFI. RoA/RoE for the quarter improved slightly to 2.41%/11.33%.

Medium-term growth guidance of 20-25%; credit cost of ~2%

The mgmt informed that MFI stress is expected to peak in Q2, and the segment is likely to see demand recovery/improving collection efficiency. While it expects a strong demand recovery in H2FY26 led by good monsoons, festive demand, and revival in capex spend, the mgmt reiterated growth guidance of ~20-25%. Credit costs are expected to ease to ~2% as benefits from the Cyclops implementation start to materialize, increasing the share of prime customers, with pressure from the MFI segment subsiding and opex moderating on reduced collection cost. However, yield saw some moderation due to the changing product mix and Cyclops implementation, leading to better quality customer selection, with NIM + fee staying at ~10-10.5%. The mgmt also plans to create a macro buffer (not product-specific) from recovery in the SR book's resolution (FY27-28E).

We maintain REDUCE; increase TP by ~14% to Rs240

To reflect the Q2 show/developments in MFI and MSME segments, we slightly raise FY26-28E disbursement and AUM growth. We cut margin by ~5-15bps and credit cost by 5-25bps due to the changing asset mix and focus on prime customers; this leads to 2-5% rise in EPS over FY26-28E. We retain REDUCE on the stock and raise Sep-26E TP by 14% to Rs240, implying FY27E P/B of 2.0x.

Target Price – 12M	Jun-26
Change in TP (%)	14.3
Current Reco.	REDUCE
Previous Reco.	REDUCE
Upside/(Downside) (%)	(10.8)

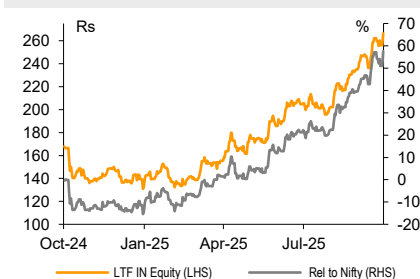
Stock Data	LTF IN
52-week High (Rs)	274
52-week Low (Rs)	129
Shares outstanding (mn)	2,501.2
Market-cap (Rs bn)	673
Market-cap (USD mn)	7,666
Net-debt, FY26E (Rs mn)	NA
ADTV-3M (mn shares)	8
ADTV-3M (Rs mn)	1,697.0
ADTV-3M (USD mn)	19.3
Free float (%)	32.2
Nifty-50	25,585.3
INR/USD	87.8

Shareholding, Sep-25

Promoters (%)	66.1
FPIs/MFs (%)	6.4/14.3

Price Performance

(%)	1M	3M	12M
Absolute	11.7	32.4	61.4
Rel. to Nifty	10.2	30.4	57.5

1-Year share price trend (Rs)**L&T Finance: Financial Snapshot (Consolidated)**

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Net profits	23,171	26,434	30,548	40,894	53,105
AUM growth (%)	5.8	14.3	19.8	20.6	21.5
NII growth (%)	11.4	15.0	15.7	21.1	21.0
NIMs (%)	10.4	10.8	10.6	10.6	10.6
PPOP growth (%)	(30.2)	15.3	12.8	24.3	24.3
Adj. EPS (Rs)	9.3	10.7	12.3	16.5	21.4
Adj. EPS growth (%)	42.0	15.0	15.4	33.6	29.7
Adj. BV (INR)	92.6	100.9	109.3	120.7	136.9
Adj. BVPS growth (%)	8.7	8.8	8.3	10.5	13.5
RoA (%)	2.2	2.4	2.4	2.7	3.0
RoE (%)	10.3	10.9	11.6	14.1	16.3
P/E (x)	29.0	25.2	21.8	16.3	12.6
P/ABV (x)	2.9	2.7	2.5	2.2	2.0

Source: Company, Emkay Research

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Exhibit 1: Actual vs Estimates

LTFH - Q2FY26 results					Actual	Change		Emkay estimate			
Result update	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	QoQ	YoY	2QFY26	Variation	Consensus	Variation
NII	21,781	22,371	21,501	22,788	24,031	5.5%	10.3%	23,971	0.3%		
Net Income	25,477	25,359	24,274	26,239	27,015	3.0%	6.0%	27,633	-2.2%	26,533	1.8%
Opex	9,578	10,578	10,034	10,486	10,680	1.9%	11.5%	11,128	-4.0%	10,236	4.3%
PPOP	15,899	14,781	14,240	15,753	16,335	3.7%	2.7%	16,505	-1.0%	16,297	0.2%
Provision	6,504	6,542	6,185	6,320	6,446	2.0%	-0.9%	6,347	1.6%	6,689	-3.6%
PBT	9,396	8,239	8,055	9,432	9,889	4.8%	5.2%	10,159	-2.7%	9,608	2.9%
PAT	6,967	6,257	6,358	7,008	7,349	4.9%	5.5%	7,548	-2.6%	7,440	-1.2%
AUM	930,140	951,200	977,620	1,023,140	1,070,960	4.7%	15.1%	1,069,321	0.2%		
Disbursement	151,640	152,100	149,140	175,220	188,970	7.8%	24.6%	188,500	0.2%		
Retail AUM	889,760	922,240	951,800	998,160	1,046,070	4.8%	17.6%	1,045,000	0.1%		
Retail Disbursement	150,920	152,100	148,990	175,220	188,840	7.8%	25.1%	188,500	0.2%		
Credit Cost (calc)	2.86%	2.78%	2.57%	2.53%	2.46%	-6bps	-40bps	2.4%	4bps		
GS3	3.19%	3.23%	3.29%	3.31%	3.29%	-2bps	10bps	3.26%	3bps		
NS3	0.96%	0.97%	0.97%	0.99%	1.00%	1bps	4bps	0.97%	3bps		
PCR	70.58%	70.57%	71.13%	70.83%	70.29%	-53bps	-29bps	71.0%	-71bps		

Source: Company, Emkay Research

Exhibit 2: Change in estimates

Y/E Mar (Rs mn)	FY26E			FY27E			FY28E		
	Earlier	Revised	Change	Earlier	Revised	Change	Earlier	Revised	Change
AUM	1,157,814	1,171,466	1.2%	1,397,117	1,412,218	1.1%	1,698,070	1,715,276	1.0%
Disbursement	724,770	733,596	1.2%	864,278	874,475	1.2%	1,039,993	1,052,014	1.2%
Disbursement growth (%)	20.2	21.6	146bps	19	19.2	-4bps	20	20.3	-3bps
AUM Growth (%)	18.4	19.8	140bps	21	20.6	-12bps	22	21.5	-8bps
Networth	276,459	276,910	0.2%	304,412	306,099	0.6%	343,363	347,500	1.2%
Net interest income	100,136	100,242	0.1%	121,964	121,399	-0.5%	147,671	146,867	-0.5%
Total Income	114,078	114,277	0.2%	137,854	137,479	-0.3%	165,762	165,168	-0.4%
Operating Expense	47,024	47,024	0.0%	53,890	53,890	0.0%	61,248	61,248	0.0%
PPOP	67,054	67,253	0.3%	83,965	83,590	-0.4%	104,513	103,920	-0.6%
Provision	26,546	26,138	-1.5%	30,590	28,551	-6.7%	36,338	32,447	-10.7%
PAT	30,097	30,548	1.5%	39,657	40,894	3.1%	50,655	53,105	4.8%
EPS (Rs)	12.2	12.3	1.5%	16	16.5	3.1%	20	21.4	4.8%
BV (Rs)	110.8	111.0	0.2%	122	122.7	0.6%	138	139.3	1.2%
NIM (%)	9.38	9.33	-5bps	9.55	9.40	-15bps	9.54	9.39	-15bps
NIMs + Fees (%)	10.68	10.63	-5bps	10.79	10.64	-15bps	10.71	10.56	-15bps
Cost-to-income (%)	41.22	41.15	-7bps	39.09	39.20	11bps	36.95	37.08	13bps
Opex-to-AUM (%)	4.40	4.38	-3bps	4.22	4.17	-5bps	3.96	3.92	-4bps
Credit Cost (%)	2.49	2.43	-5bps	2.39	2.21	-18bps	2.35	2.07	-27bps
ROA (%)	2.35	2.37	2bps	2.66	2.71	6bps	2.86	2.97	11bps
ROE (%)	11.40	11.56	16bps	13.74	14.11	37bps	15.72	16.32	61bps

Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Exhibit 3: Valuation matrix

				P/ABV (x)			P/E (x)			RoA (%)			RoE (%)			Book Value (Rs/sh)			Adj EPS (Rs)		
	CMP/TP (Rs)	Upside	Mkt Cap (Rs bn)	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
At current market price	269.2	-10.8%	673.3	2.4	2.2	1.9	21.8	16.3	12.6	2.4	2.7	3.0	11.6	14.1	16.3	111	123	139	12	16	21
At target price	240.0			2.2	2.0	1.7	19.4	14.6	11.2	2.4	2.7	3.0	11.6	14.1	16.3	111	123	139	12	16	21

Source: Company, Emkay Research

Exhibit 4: Quarterly earnings snapshot

Particulars (Rs mn)	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	YoY chg	QoQ chg
Income from operations	36,544	38,064	37,499	39,145	40,374	10.5%	3.1%
Interest Expenses	14,763	15,692	15,998	16,357	16,343	10.7%	-0.1%
Net Interest Income	21,781	22,371	21,501	22,788	24,031	10.3%	5.5%
Other Income	3,696	2,988	2,773	3,451	2,984	-19.3%	-13.5%
Total Income	25,477	25,359	24,274	26,239	27,015	6.0%	3.0%
Operating Expenses	9,578	10,578	10,034	10,486	10,680	11.5%	1.9%
PPoP	15,899	14,781	14,240	15,753	16,335	2.7%	3.7%
Provisions	6,504	6,542	6,185	6,320	6,446	-0.9%	2.0%
Credit costs	2.9%	2.8%	2.6%	2.5%	2.5%	-40bps	-6bps
PBT	9,396	8,239	8,055	9,432	9,889	5.2%	4.8%
Tax	2,429	1,983	1,697	2,424	2,540	4.6%	4.8%
Tax rate (%)	25.9%	24.1%	21.1%	25.7%	25.7%		
Profit after tax	6,967	6,257	6,358	7,008	7,349	5.5%	4.9%
Share of profit from associates/MI	0	0	0	0	0		
PAT adjusting for one-offs	6,967	6,257	6,358	7,008	7,349	5.5%	4.9%
AUM	930,140	951,200	977,620	1,023,140	1,070,960	15.1%	4.7%
Disbursement	151,640	152,100	149,140	175,220	188,970	24.6%	7.8%
Networth	242,678	249,102	255,641	255,855	263,203	8.5%	2.9%
Credit cost	2.86%	2.78%	2.57%	2.53%	2.46%	-40bps	-6bps
GS3	3.19%	3.23%	3.29%	3.31%	3.29%	10bps	-2bps
NS3	0.96%	0.97%	0.97%	0.99%	1.00%	4bps	1bps
PCR	70.6%	70.6%	71.1%	70.8%	70.3%	-29bps	-53bps

Source: Company, Emkay Research

Exhibit 5: AUM and Disbursement trends

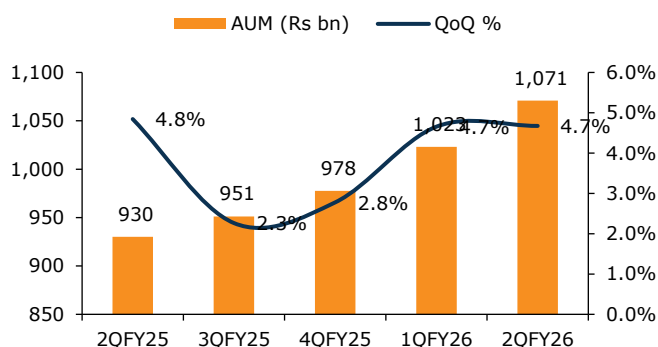
	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
AUM (Rs bn)	818	856	887	930	951	978	1,023	1,071
QoQ change	3.9%	4.6%	3.7%	4.8%	2.3%	2.8%	4.7%	4.7%
Retail AUM (Rs bn)	747.6	800.4	844.5	889.8	922.2	951.8	998.2	1,046.1
QoQ change	7.7%	7.1%	5.5%	5.4%	3.7%	3.2%	4.9%	4.8%
	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Disbursement (Rs bn)	148.7	153.7	150.2	151.6	152.1	149.1	175.2	189.0
QoQ change	8.5%	3.4%	-2.3%	1.0%	0.3%	-1.9%	17.5%	7.8%
Retail Disbursement (Rs bn)	145.3	150.4	148.4	150.9	152.1	149.0	175.2	188.8
QoQ change	7.6%	3.5%	-1.4%	1.7%	0.8%	-2.0%	17.6%	7.8%

Source: Company, Emkay Research

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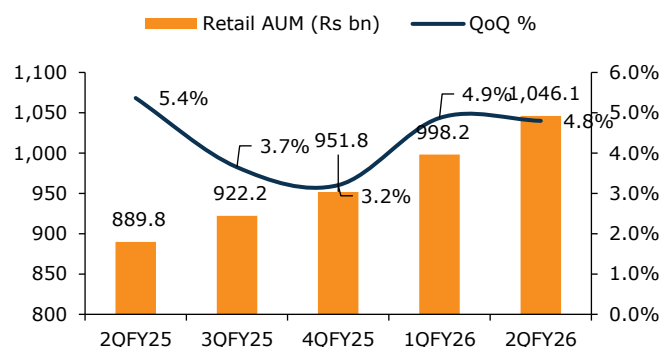
Results in charts

Exhibit 6: Growth was seen across all segment, excl tractor finance



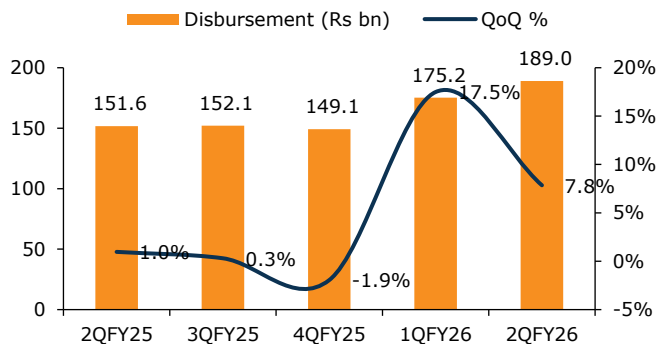
Source: Company, Emkay Research

Exhibit 7: Consumer finance witnessed the highest sequential growth, of ~16%



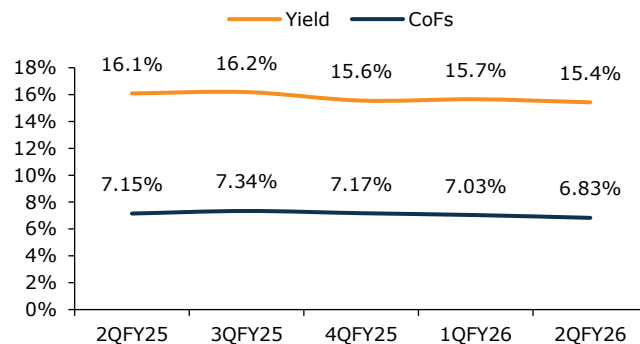
Source: Company, Emkay Research

Exhibit 8: Strong disbursement across retail product segments



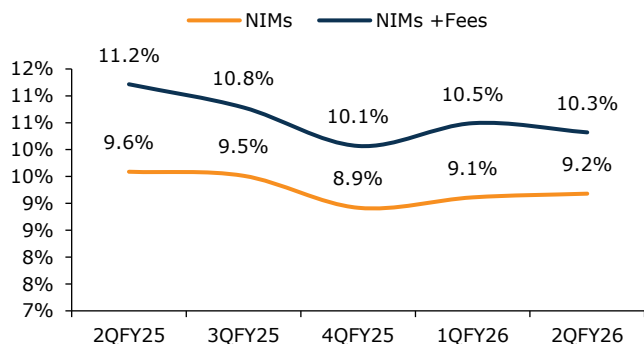
Source: Company, Emkay Research

Exhibit 9: CoF moderation led by the RBI's rate-cut benefit - Reported CoFs at 7.32% vs 7.68% in Q1FY26



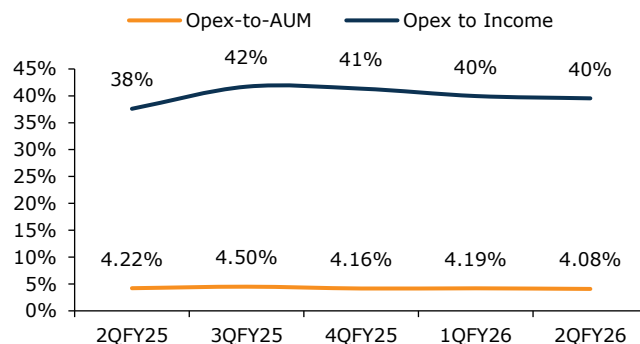
Source: Company, Emkay Research

Exhibit 10: NIMs improved on account of ~36bps moderation in CoF



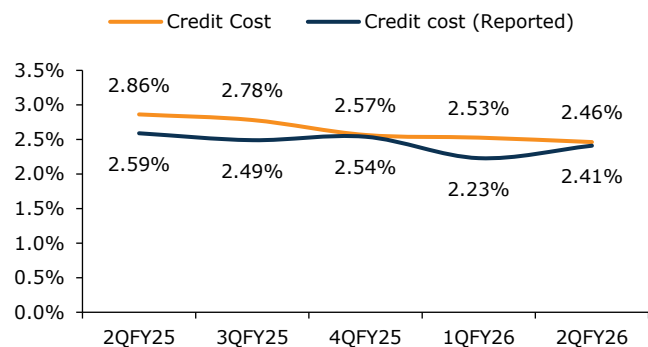
Source: Company, Emkay Research

Exhibit 11: Stable operating expenses

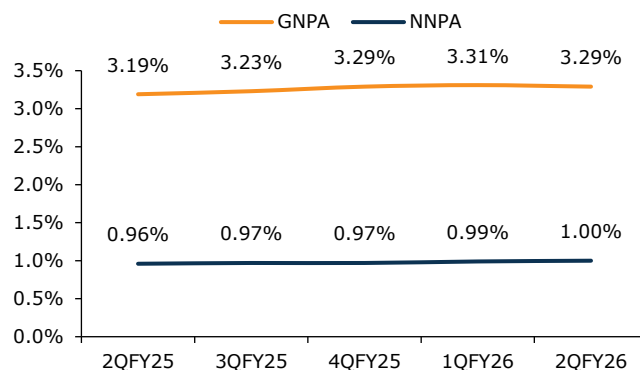


Source: Company, Emkay Research

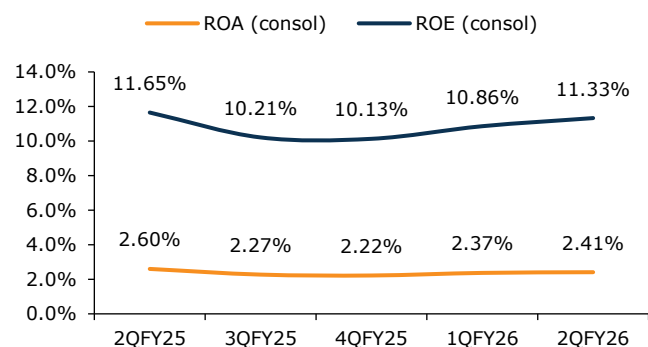
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Exhibit 12: LTF has utilized Rs1.5bn from the macro overlay in Q2FY26

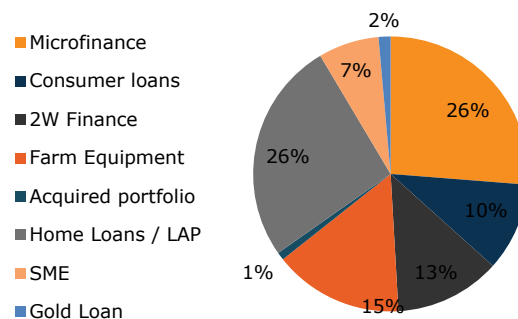
Source: Company, Emkay Research

Exhibit 13: Broadly stable asset quality

Source: Company, Emkay Research

Exhibit 14: Marginal improvement in profitability led by improving efficiency

Source: Company, Emkay Research

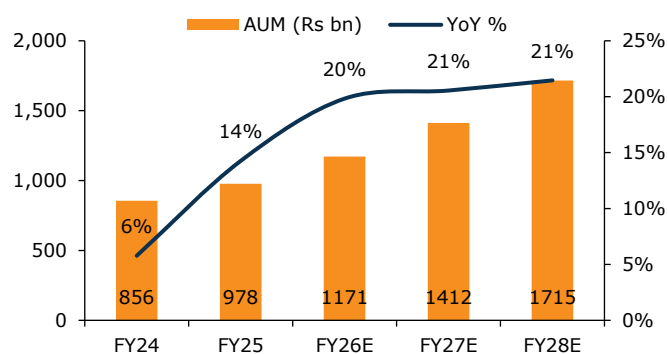
Exhibit 15: Retail AUM mix stable at 98%

Source: Company, Emkay Research

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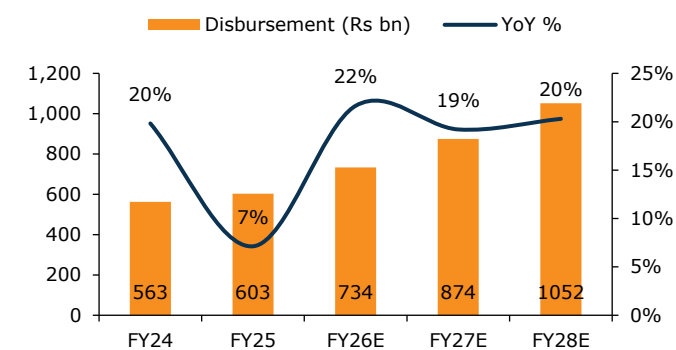
Story in charts

Exhibit 16: AUM growth led by strong disbursement



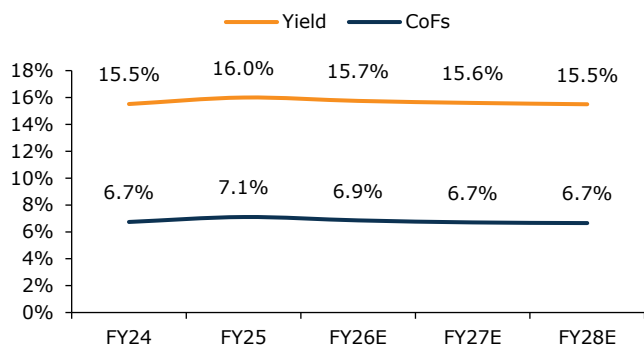
Source: Company, Emkay Research

Exhibit 17: Strong disbursement across retail product segments



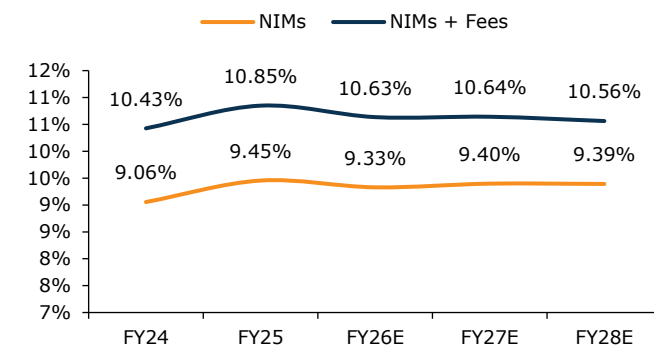
Source: Company, Emkay Research

Exhibit 18: Risk-adjusted yields to be broadly stable



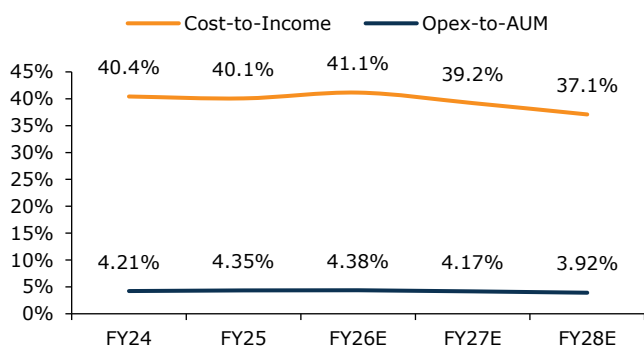
Source: Company, Emkay Research

Exhibit 19: Margin to remain within the guided range of 10-10.5%



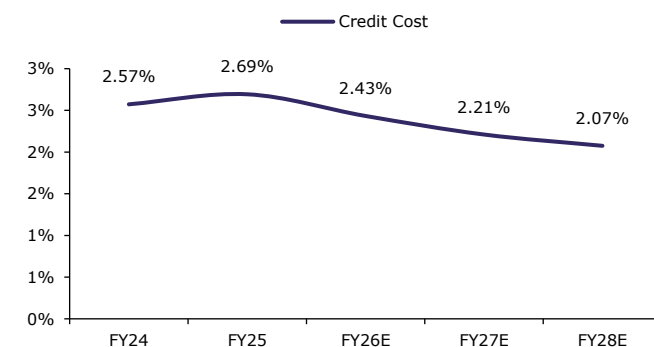
Source: Company, Emkay Research

Exhibit 20: Opex to see marginal elevation on account of geographical diversification



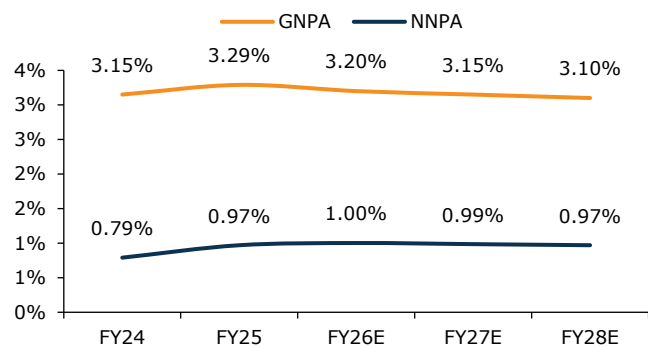
Source: Company, Emkay Research

Exhibit 21: As share of prime and near prime customers increases, credit cost to improve ahead

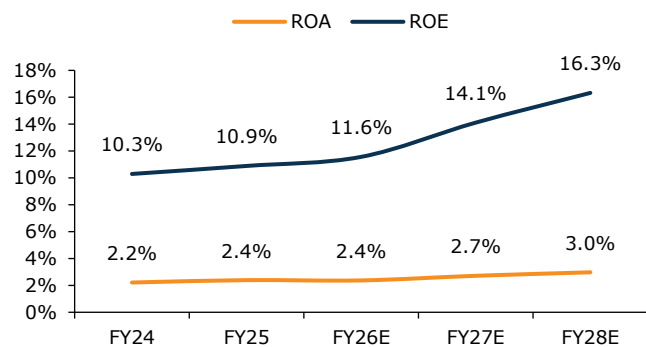


Source: Company, Emkay Research

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Exhibit 22: Asset quality to be stable

Source: Company, Emkay Research

Exhibit 23: Profitability improvement led by improving margins and moderating credit cost

Source: Company, Emkay Research

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Earnings Call Highlights

- LTF delivered its highest-ever quarterly disbursement, supported by broad-based growth across products and steady rural demand. The quarter saw healthy traction in two-wheelers, tractors, SME, personal loans, and gold loans. Growth remained largely organic, aided by festive demand, improved liquidity, and GST rationalization benefits.
- Rural demand was stable, backed by a good monsoon, healthy reservoir levels, and strong tractor and two-wheeler sales. Cash flows in rural markets improved, driving better discretionary spending. The microfinance (MFI) segment showed early signs of recovery, with improved disbursements and asset quality trends.
- The gold loan business continued to expand rapidly, with quarterly disbursements of about Rs9.8bn and the highest-ever monthly disbursement of Rs4.2bn in Sep-25. LTF plans to scale this business further, adding ~200 new branches in H2FY26 to reach >330 branches by the end of FY26, establishing a pan-India footprint.
- In personal loans, digital partnerships remained a key growth driver, contributing ~40% of quarterly disbursements. Loans sourced through digital channels entail lower acquisition costs and better credit quality than DSA-originated loans. During the quarter, LTF onboarded Google Pay as a new partner, joining Amazon, CRED, and PhonePe. Disbursements through these platforms grew to Rs11.38bn in Q2FY26, up from Rs6.51bn in Q1FY26.
- LTF continues to follow a risk-calibrated growth approach, targeting a 65:35 secured-to-unsecured mix over time (with 60:40 as an interim milestone). In the mortgage business, the company remains selective, avoiding aggressive rate competition and focusing more on LAP, which offers better risk-adjusted returns.
- Project Cyclops: is the company's AI-based underwriting and early warning engine, and is now fully deployed across the two-wheeler, farm equipment, and SME segments; it will go live for personal loans in Q3FY26, followed by home loans, LAP, and rural business in FY27. The upgraded Version 3 of Cyclops now handles 1,400 transactions per second (up from 100 earlier) and has led to a sharp reduction in non-starter rates, particularly in two-wheelers (down to 0.47% in Sep-25 from 2.36% in Dec-24).
- The company's Co-Pilot initiative has also streamlined SME underwriting, reducing turnaround time from 3-4 hours to under 30 minutes. Early indicators suggest improved SME portfolio quality post-Cyclops rollout, with fewer early delinquencies.
- Asset quality continued to improve, supported by disciplined underwriting and better collection efficiency. The mgmt reiterated its medium-term credit cost target of ~2%, which it expects to achieve by FY27, aided by the full rollout of Cyclops and Nostradamus.
- Rural collection efficiency improved to 99.48% in Q2 compared to 99.34% in Q1.
- The macro-prudential buffer stood at Rs1.25bn, with no further utilization expected. LTF plans to rebuild this buffer over coming 18-24M, supported by recoveries from legacy ARC portfolios.
- Margins and funding were stable. NIM + Fee stood at 10.22%, and the management expects this to stay within the 10-10.5% range, supported by growth in high-yielding products such as gold loans and rural finance. The share of commercial papers (CPs) was ~7%, which could increase to 13-15%, while ECB borrowings came in at lower rates. Fee income was steady at ~1.8% of AUM.
- Operating costs remained elevated, reflecting continued investments in technology and branch expansion (84 new rural LAP branches and 150 meeting centers added in Q2). The management expects opex + credit cost, currently at ~7%, to gradually reduce to 6-6.5% by FY27, as operating leverage improves and credit costs normalize.
- With Lakshya 26 goals largely achieved (retailization at 98%, RoA at 2.4%, GS3/NS3 at 3.3%/1%), LTF is now transitioning to its Lakshya 31 plan—focused on driving profitability, efficiency, and technology-led growth.

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Guidance

- AUM growth: 20–25% over FY26-27.
- Credit cost: Around 2% over the medium term, with steady improvement in the MFI and SME portfolios.
- NIM + Fee: To sustain at 10-10.5% as yields stabilize and CoF declines.
- Opex + Credit cost: To moderate to ~6% by FY27.
- RoA: Expected at 2.8-3.0% on a steady-state basis (excluding SR realizations)

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L&T Finance: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	129,139	146,633	169,208	201,488	242,333
Interest Expense	53,772	59,968	68,966	80,089	95,466
Net interest income	75,367	86,665	100,242	121,399	146,867
NII growth (%)	11.4	15.0	15.7	21.1	21.0
Non interest income	11,412	12,777	14,035	16,081	18,302
Total income	86,779	99,442	114,277	137,479	165,168
Operating expenses	35,079	39,846	47,024	53,890	61,248
PPOP	51,701	59,597	67,253	83,590	103,920
PPOP growth (%)	(30.2)	15.3	12.8	24.3	24.3
Provisions & contingencies	21,410	24,684	26,138	28,551	32,447
PBT	30,290	34,913	41,114	55,038	71,474
Extraordinary items	0	0	0	0	0
Tax expense	7,119	8,478	10,566	14,145	18,369
Minority interest	(30)	245	245	245	245
Income from JV/Associates	0	0	0	0	0
Reported PAT	23,171	26,434	30,548	40,894	53,105
PAT growth (%)	50.8	14.1	15.6	33.9	29.9
Adjusted PAT	23,171	26,434	30,548	40,894	53,105
Diluted EPS (Rs)	9.3	10.7	12.3	16.5	21.4
Diluted EPS growth (%)	42.0	15.0	15.4	33.6	29.7
DPS (Rs)	2.5	2.8	3.8	4.8	4.8
Dividend payout (%)	26.9	25.7	25.0	25.0	25.0
Effective tax rate (%)	23.5	24.3	25.7	25.7	25.7
Net interest margins (%)	10.4	10.8	10.6	10.6	10.6
Cost-income ratio (%)	40.4	40.1	41.1	39.2	37.1
PAT/PPOP (%)	44.8	44.8	45.8	49.2	51.3
Shares outstanding (mn)	2,488.9	2,494.9	2,494.9	2,494.9	2,494.9

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	24,889	24,949	24,949	24,949	24,949
Reserves & surplus	209,495	230,692	251,961	281,151	322,551
Net worth	234,384	255,641	276,910	306,099	347,500
Borrowings	765,409	922,469	1,089,464	1,299,241	1,569,477
Other liabilities & prov.	27,382	26,655	28,918	31,608	34,752
Total liabilities & equity	1,027,176	1,204,764	1,395,291	1,636,948	1,951,730
Net loans	813,594	937,731	1,122,546	1,353,724	1,644,812
Investments	123,849	118,760	130,736	116,932	78,474
Cash, other balances	46,760	108,329	101,923	123,626	181,017
Interest earning assets	984,203	1,164,820	1,355,205	1,594,282	1,904,303
Fixed assets	5,416	7,166	8,957	11,196	13,995
Other assets	37,557	32,549	31,130	31,470	33,431
Total assets	1,027,176	1,204,534	1,395,291	1,636,948	1,951,730
BVPS (Rs)	94.2	102.5	111.0	122.7	139.3
Adj. BVPS (INR)	92.6	100.9	109.3	120.7	136.9
Gross loans	855,640	977,620	1,171,466	1,412,218	1,715,276
Total AUM	855,640	977,620	1,171,466	1,412,218	1,715,276
On balance sheet	-	-	-	-	-
Off balance sheet	-	-	-	-	-
Disbursements	562,930	603,050	733,596	874,475	1,052,014
Disbursements growth (%)	19.8	7.1	21.6	19.2	20.3
Loan growth (%)	8.3	15.3	19.7	20.6	21.5
AUM growth (%)	5.8	14.3	19.8	20.6	21.5
Borrowings growth (%)	(7.8)	20.5	18.1	19.3	20.8
Book value growth (%)	8.7	8.8	8.3	10.5	13.5

Source: Company, Emkay Research

Asset quality and other metrics					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Asset quality					
GNPL - Stage 3	26,980	32,180	37,487	44,485	53,174
NNPL - Stage 3	6,610	9,290	11,246	13,345	15,952
GNPL ratio - Stage 3 (%)	3.2	3.3	3.2	3.2	3.1
NNPL ratio - Stage 3 (%)	0.8	1.0	1.0	1.0	1.0
ECL coverage - Stage 3 (%)	75.5	71.1	70.0	70.0	70.0
ECL coverage - 1 & 2 (%)	2.7	1.8	2.0	2.0	2.0
Gross slippage - Stage 3	-	-	-	-	-
Gross slippage ratio (%)	-	-	-	-	-
Write-off ratio (%)	0.6	0.3	1.1	0.9	0.8
Total credit costs (%)	2.6	2.7	2.4	2.2	2.1
NNPA to networth (%)	2.8	3.6	4.1	4.4	4.6
Capital adequacy					
Total CAR (%)	22.8	21.4	20.1	19.0	18.2
Tier-1 (%)	21.0	19.6	18.3	17.2	16.4
Miscellaneous					
Total income growth (%)	(15.3)	14.6	14.9	20.3	20.1
Opex growth (%)	23.8	13.6	18.0	14.6	13.7
PPOP margin (%)	6.2	6.5	6.3	6.5	6.6
Credit costs-to-PPOP (%)	41.4	41.4	38.9	34.2	31.2
Loan-to-Assets (%)	79.2	77.9	80.5	82.7	84.3
Yield on loans (%)	15.5	16.0	15.7	15.6	15.5
Cost of funds (%)	6.7	7.1	6.9	6.7	6.7
Spread (%)	8.8	8.9	8.9	8.9	8.8

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	29.0	25.2	21.8	16.3	12.6
P/B (x)	2.9	2.6	2.4	2.2	1.9
P/ABV (x)	2.9	2.7	2.5	2.2	2.0
P/PPOP (x)	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	0.9	1.0	1.4	1.8	1.8
Dupont-RoE split (%)					
NII/avg AUM	9.1	9.5	9.3	9.4	9.4
Other income	1.4	1.4	1.3	1.2	1.2
Securitization income	-	-	-	-	-
Opex	2.0	1.9	1.9	1.8	1.6
Employee expense	2.2	2.4	2.5	2.4	2.3
PPOP	6.2	6.5	6.3	6.5	6.6
Provisions	2.6	2.7	2.4	2.2	2.1
Tax expense	0.9	0.9	1.0	1.1	1.2
RoAUM (%)	2.8	2.9	2.9	3.2	3.4
Leverage ratio (x)	3.7	3.7	4.0	4.4	4.8
RoE (%)	10.3	10.9	11.6	14.1	16.3

Quarterly data					
Rs mn, Y/E Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
NII	21,781	22,371	21,501	22,788	24,031
NIM (%)	11.2	10.8	10.1	10.5	10.3
PPOP	15,899	14,781	14,240	15,753	16,335
PAT	6,967	6,257	6,358	7,008	7,349
EPS (Rs)	2.79	2.51	2.55	2.81	2.95

Source: Company, Emkay Research

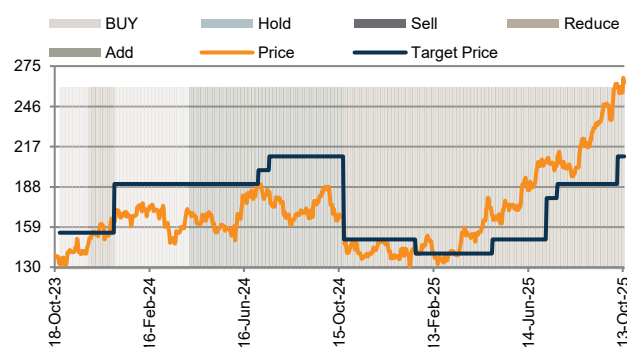
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RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
06-Oct-25	260	210	Reduce	Avinash Singh
21-Jul-25	211	190	Reduce	Avinash Singh
07-Jul-25	208	180	Reduce	Avinash Singh
20-Jun-25	190	150	Reduce	Avinash Singh
05-Jun-25	183	150	Reduce	Avinash Singh
29-Apr-25	168	150	Reduce	Avinash Singh
10-Apr-25	153	140	Reduce	Avinash Singh
03-Apr-25	154	140	Reduce	Avinash Singh
27-Feb-25	139	140	Reduce	Avinash Singh
21-Jan-25	146	140	Reduce	Avinash Singh
06-Jan-25	138	150	Reduce	Avinash Singh
30-Dec-24	136	150	Reduce	Avinash Singh
05-Dec-24	148	150	Reduce	Avinash Singh
26-Nov-24	141	150	Reduce	Avinash Singh
21-Oct-24	158	150	Reduce	Avinash Singh
04-Oct-24	175	210	Add	Avinash Singh
02-Sep-24	171	210	Add	Avinash Singh
20-Aug-24	167	210	Add	Avinash Singh
18-Jul-24	185	210	Add	Avinash Singh
04-Jul-24	188	200	Add	Avinash Singh

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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