Global Markets Research

L&T Finance

India | Diversified Financials | **Result Update**

1 May 2025

MFI woes mar retail performance

L&T Finance's (LTF IN) Q4 earnings were flat, marred by tepid growth reflecting in weak topline, offset by lower provisions due to macro prudential drawdowns (INR 4bn). Given the significant exposure to microfinance (27% of the retail finance book), ongoing headwinds pose downside risks to LTF's near-to-medium term growth and earnings. So, a risk-calibrated rural business expansion and strategic shift towards prime segment in the urban two-wheeler financing and personal loans (PL) portfolios may cap FY26E-27E AUM growth to 15-17%, weighing on return profile that should stack up to 2.5% RoA and 12.4% RoE in FY26E-27E.

Muted PAT amid higher opex and NIM decline: LTF reported a steady PAT of INR 5.45bn, up 1.6% QoQ/15% YoY, as estimated, as lower provisions partially offset pressure from subdued NII and elevated opex. NII declined 3.9% QoQ (+8.2% YoY), leading to NIM compression of 60bps QoQ due to a shift towards secured, prime lending. Opex rose 11.7% QoQ, leading to a 12.3% QoQ drop in PPoP, though up 20.3% YoY. The cost-to-income ratio worsened by 590bps QoQ, while provisions fell 24.5% QoQ. LTF reiterated its FY26 ROA target of 2.8-3%, supported by book realignment, operational efficiencies and NIM + fees guided at 10-10.5%.

MFI woes; shift to prime urban business to calibrate growth: LTF clocked disbursements of INR 149bn (down 3% YoY) in Q4FY25, with most segments losing steam, barring PL (up 98% YoY) and SME finance (up 26% YoY). Two-wheeler disbursals dipped 26% YoY in Q4, with 82% of March disbursements in the prime segment, reflecting a quality-focused shift. Retail book grew by 19% YoY to INR 951.8bn, while total book grew 14% YoY to INR 977.6bn. Urban finance drove growth, led by SME finance (up 67% YoY), LAP (46% YoY), PL (up 34% YoY) and HL (up 32% YoY). MFI grew 6% YoY amid regulatory challenges in Karnataka. LTF expects >20% AUM growth in FY26, aided by rural recovery, calibrated expansion and tech-driven risk control.

MFI stress pronounced on asset quality; credit costs elevated: LTF's retail GNPA and NNPA stood at 3.29% and 0.97% in FY25, with credit costs (2.54%) elevated due to stress in the MFI portfolio, driven by regional disruptions and macro headwinds. About INR 4bn of provisions were utilized in FY25, with INR 5.75bn still available as buffer. While collections improved to 99.6% outside Karnataka, MFI credit costs remain high and are expected to normalize only by H2FY26. Initiatives such as Project Cyclops and Nostradamus are set to improve asset quality by reducing credit costs (by 100-150bps), enhancing underwriting precision, lowering high-risk exposure (from 11% to 3–4%) — especially in two-wheeler and farm segments. Credit cost guidance is 2.3%-2.5%, with farm and personal loans stabilizing, and two-wheelers likely to recover in two more quarters.

Maintain Accumulate with a negative bias: We trim FY26E/27E estimates by 3.6%/2% on earnings pressure. Near-term pressure on growth should have a larger bearing on RoEs, the latter likely restricted to <12% and 12%+ in FY26E-27E. Maintain Accumulate with changed TP to INR 176 (from INR 171) underscored by tech led swift retail credit expansion, valuing LTF at 1.3x FY27E P/ABV. Conviction on new portfolio behavior may drive a re-rating.

Key Financials

YE March	FY24	FY25	FY26E	FY27E	FY28E
NII (INR mn)	75367	86,665	93,879	111,054	129,664
YoY (%)	8.1	15.0	8.3	18.3	16.8
PPoP (INR mn)	43,514	56,846	58,485	70,042	82,785
YoY (%)	17.9	30.6	2.9	19.8	18.2
PAT (INR mn)	23,171	26,434	30,811	39,043	45,069
YoY (%)	50.8	14.1	16.6	26.7	15.4
EPS (INR)	9.3	10.6	12.3	15.6	18.1
RoE (%)	10.3	11	11.2	12.4	12.6
RoA (%)	2.2	2.4	2.3	2.5	2.4
P/E (x)	17.9	15.8	13.5	10.7	9.2
P/ABV (x)	1.9	1.7	1.4	1.3	1.1

Note: Pricing as on 30 April 2025; Source: Company, Elara Securities Estimate

Rating: Accumulate

Target Price: INR 176

Upside: 7%

CMP: INR 168

As on 30 April 2025

Key data	
Bloomberg	LTF IN
Reuters Code	LTFH. NS
Shares outstanding (mn)	2,494.9
Market cap (INR bn/USD mn)	418/4,919
EV (INR bn/USD mn)	1,234/14,459
ADTV 3M (INR mn/USD mn)	819/10
52 week high/low	194/129
Free float (%)	32

Note: as on 30 April 2025; Source: Bloomberg

Price chart

Source: Bloomberg

Shareholding (%)	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25
Promoter	66.4	66.3	66.3	66.2
% Pledge	-	-	-	-
FII	7.3	6.7	5.3	5.5
DII	11.6	12.3	12.2	13.3
Others	14.7	14.7	16.2	15.0

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	6.0	0.0	8.5
L&T Finance	18.2	17.9	2.4
NSE Mid-cap	4.2	(3.5)	5.5
NSE Small-cap	3.1	(9.0)	(1.3)

Source: Bloomberg

Shweta Daptardar
Diversified Financials
+91 22 6164 8559
shweta.daptardar@elaracapital.com

Associate
Devarshi Raj

Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Net Interest Income	75,367	86,665	93,879	111,054	129,664
Other income	11,412	12,777	12,048	14,104	15,874
Total net Income	**86,779**	**99,442**	**105,926**	**125,158**	**145,538**
Less :- Opex (incl. depreciation)	43,265	42,596	47,442	55,116	62,753
Pre-provisioning Operating Profit	**43,514**	**56,846**	**58,485**	**70,042**	**82,785**
Less:- Provisions	13,224	21,934	17,338	17,866	22,557
PBT	**30,290**	**34,913**	**41,147**	**52,176**	**60,228**
Less :- Taxes	7,119	8,478	10,336	13,133	15,159
Reported PAT	**23,171**	**26,434**	**30,811**	**39,043**	**45,069**
Balance Sheet (INR mn)	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Capital	24,889	24,949	24,949	24,949	24,949
Reserves & Surplus	210,391	231,363	271,574	310,617	355,686
Net worth	235,280	256,311	296,524	335,567	380,635
Non-current liabilities	788,787	943,656	1,109,699	1,313,576	1,548,593
Current Liabilities	3,108	4,127	21,517	51,122	52,078
Total Liabilities	**1,027,177**	**1,204,095**	**1,427,740**	**1,700,264**	**1,981,306**
Fixed assets	5,550	6,860	9,060	9,754	10,504
other non-current assets	123,849	118,760	112,876	158,351	172,672
Cash and bank balances	46,760	108,329	113,746	119,433	149,291
Loans and advances	813,594	937,731	1,115,899	1,327,920	1,580,225
Other current assets	37,423	32,415	76,159	84,807	68,613
Total Assets	**1,027,177**	**1,204,095**	**1,427,740**	**1,700,264**	**1,981,306**
Per Share data & Valuation Ratios	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
EPS- (INR)	9.3	10.6	12.3	15.6	18.1
BV (INR)	94.2	102.5	118.6	134.2	152.3
ABV- (INR)	89.3	98.6	115.3	131.6	150.6
P/E- (x)	17.9	15.8	13.5	10.7	9.2
P/ABV-(x)	1.9	1.7	1.4	1.3	1.1
Yield and Cost (%)					
Yield on advances	15.5	16.0	16.0	15.8	15.8
Cost of funds (calc)	6.6	6.9	6.9	6.8	7.0
Net Interest Margin (%)	9.1	9.5	9.1	9.1	8.9
Asset Quality (%)					
Gross NPA (%)	4.9	4.5	4.0	3.5	3.1
Net NPA (%)	2.1	1.5	1.0	0.7	0.4
% coverage of NPA - RHS	57.0	67.2	73.8	79.9	87.6
credit cost (calc)	1.6	2.4	1.6	1.4	1.5
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	8.0	21.0	19.0	19.0	19.0
Earnings growth (RHS)	50.8	14.1	16.6	26.7	15.4
Business Ratios					
RoAA (%)	2.2	2.4	2.3	2.5	2.4
Core RoE (%)	10.3	10.8	11.2	12.4	12.6
Dividend Yield (%)	2.6	2.6	2.4	2.3	2.3
Dividend pay-out (%)	27.2	23.9	22.5	18.5	16.0

Note: Pricing as on 30 April 2025; Source: Company, Elara Securities Estimate

Exhibit 1: LTF – Q4FY25 results highlights

Consolidated income statement (INR mn)	Q4FY25	Q4FY24	YoY (%/bps)	Q3FY25	QoQ (%/bps)	Quick comments
Interest income	37,499	33,226	*12.9*	38,064	*(1.5)*	
Interest expense	15,998	13,351	*19.8*	15,692	*1.9*	
NII	**21,501**	**19,875**	*8.2*	**22,371**	***(3.9)***	***NII came slightly below estimates, declining 3.9% QoQ (up 8.2% YoY).***
Other income	2,642	3,533	*(25.2)*	2,458	*7.5*	
Total income	**24,143**	**23,408**	*3.1*	**24,830**	***(2.8)***	
Staff expenses	5,691	5,008	*13.7*	5,793	*(1.8)*	
Other expenses	5,291	7,459	*(29.1)*	4,038	*31.0*	
Total operating expenses	10,982	12,466	*(11.9)*	9,830	*11.7*	*Opex rose by 11.7% QoQ but declined 11.7% YoY, above estimates*
Operating profit	**13,161**	**10,941**	*20.3*	**14,999**	***(12.3)***	***PPoP for the quarter was well below estimates, dragged by higher opex and subdued NII, declining 12.3% QoQ but up 20.3% YoY***
Provisions	5,106	4,001	*27.6*	6,760	*(24.5)*	*Provisions declined by 24.5% QoQ but rose 27.6% YoY, as provisions were utilized.*
PBT	**8,055**	**6,940**	*16.1*	**8,239**	***(2.2)***	
Tax	1,697	1,410	*20.3*	1,983	*(14.4)*	
PAT	**6,358**	**5,530**	*15.0*	**6,257**	***1.6***	***PAT was flat, up 1.6% QoQ/15% YoY, in line with estimates, weighed down by subdued topline and higher opex.***
Exceptional items	-	-	*NA*	-	***NA***	
PAT post associates/minority and exceptional item	**6257**	**6400**	***(2.2)***	**6967**	***(10.2)***	
Asset quality						
GNPA (INR mn)	32,180	26,980	*19.3*	30,750	*4.7*	
NNPA (INR mn)	9,290	6,610	*40.5*	9,050	*2.7*	
GNPA (%)	**3.29**	**3.2**	***14bps***	**3.23**	***6bps***	*Asset quality was largely stable; GNPA up 6bps QoQ/14bps YoY.*
NNPA (%)	**1.0**	**0.8**	***18bps***	**1.0**	**-**	
Coverage ratio (%)	71.1	75.5	*(437)bps*	70.6	*56bps*	*PCR increased by 56bps QoQ but declined 437bps YoY*
Cost income ratio	45.5%	53.3%	*(777)bps*	39.6%	*590bps*	*Cost to income ratio spiked 590bps QoQ but was down 777bps YoY*
Balance Sheet						
Net worth (excl. preference cap)	234,380	215,284	*8.9*	228,600	*2.5*	
Borrowings	922,470	739,999	*24.7*	861,610	*7.1*	
Loans & advances	**977,620**	**855,650**	***14.3***	**951,210**	***2.8***	*Caution prevails as AUM growth slows (2.8% QoQ/14.3 YoY)*
Disbursements	149,140	153,660	*(2.9)*	152,100	*(1.9)*	*Disbursement was flat sequentially as the business slowed down*
Profitability ratios						
NIM (%) Calculated	8.92	9.50	*(58)bps*	9.51	*(60)bps*	*NIM was compressed QoQ by 60bps and 58bps YoY as the focus tilts to secured loans and prime customers*

Source: Company, Elara Securities Research

Conference call – Takeaways

Business updates

- The current global economic scenario is dominated by tariff and trade wars, while in India, the outlook remains positive due to favorable factors such as good monsoons expected, record crop harvests, and rural liquidity improvements.
- The IMF forecasts a stable 6.2% growth for India in 2025, supported by private consumption, particularly in rural areas, alongside robust momentum in consumer demand, exports, government expenditure, and agriculture.
- Rural demand is improving due to record *Kharif* production, favorable agricultural conditions, and expected normal monsoons, which is expected to fuel further economic growth in the rural sector.
- Private consumption is further supported by tax benefits in the Union Budget, budgetary allocations for employment-generating schemes, and easing monetary policy by the RBI.
- Despite favorable domestic conditions, risks such as adverse weather events and global trade uncertainties are being closely monitored, though strong domestic demand and favorable inflation should help mitigate global volatility.
- The microfinance sector faced challenges in the quarter, including state-specific issues such as the Karnataka ordinance, but LTF's diversified franchise enabled it to achieve the highest-ever annual PAT of INR 26.44bn, a 14% YoY growth.
- Quarterly disbursements reached INR 148.99bn, which was nearly on par with the previous year's disbursement, reflecting a strategic risk-calibrated approach, especially in the rural finance, business finance, and two-wheeler segments.
- The retail loan book reached INR 951.8bn, growing 19% YoY, and the overall loan book grew 14% YoY, indicating strong performance across retail business segments, supported by effective execution and risk management.
- LTF has plans to sustain predictable and sustained retail growth, focusing on maintaining a robust portfolio and prudent risk management practices.
- LTF has rolled out Project Cyclops, its AI-based credit underwriting engine, in the tractor business, after its successful implementation in two-wheeler dealerships, and it is set to be extended to personal loans and SME finance in FY26.
- Project Cyclops has shown positive results by reducing credit costs and improving asset quality, with a drop in risk costs by an estimated 100-150bps, which should benefit profitability of the two-wheeler business by FY26.
- LTF is preparing for the launch of Project Nostradamus, a first-in-industry AI-driven portfolio and credit risk management system, expected to go into production by Q2FY26.
- A Beta version of a third-generation mobile platform has also been launched as part of LTF's continued focus to enhance its technological infrastructure.
- LTF achieved a retailization rate of 97% in Q4FY25, surpassing the initial milestone of 95% set for FY26, despite risk-adjusted disbursements in the RBF and two-wheeler businesses.
- LTF's other retail segments contributed strongly, with a 16% YoY growth in farmer finance disbursements, a 42% YoY rise in personal loan disbursements, and a 37% YoY growth in SME finance disbursements.
- The home loan business also performed well with a 27% YoY growth, although INR 8bn of undisbursed cheques were carried over to the next quarter due to delays in cheque banking by customers following RBI guidelines.
- Despite a conscious decision to slow down disbursements in certain riskier segments, the retail loan book grew by 19% YoY, reflecting solid growth in challenging market conditions.

- Other business segments such as farmer finance, housing finance, personal loans, and SME finance maintained healthy growth trajectories, supported by confidence in tech-powered underwriting and market potential.
- LTF continues to prioritize shifting towards prime and near-prime customers, leading to an increase in prime customer share in two-wheeler disbursements from 53% in March 2024 to 82% in March 2025.
- LTF is monitoring a new bill in Tamil Nadu, focused on controlling unregulated lending, which could have broader implications beyond microfinance and exempt RBI-regulated entities.
- In farmer finance, Q4 disbursements stood at INR 17.55bn, reflecting a 15% YoY growth, while the annual disbursements were INR 79.35bn, up 16% YoY. The book size reached INR 152.19bn, reflecting a 10% YoY growth, driven by changes in credit calibration and leveraging expectations of favorable monsoons and rural liquidity conditions.
- In the urban finance segment, which includes two-wheeler, personal loan, and home loan businesses, quarterly disbursements grew by 2% YoY, and annual disbursements by 22%. The book size grew 27% YoY, reaching INR 458.97bn.
- The two-wheeler business recorded quarterly disbursements of INR 18.57bn, down 26% YoY, while annual disbursements stood at INR 92.85bn, reflecting an 8% increase. The book size increased by 10% YoY, reaching INR 123.21bn. Notably, 82% of the disbursements in March were in the prime segment, reflecting the focus on quality growth and risk-adjusted returns.
- In the personal loan business, LTF achieved its highest-ever quarterly disbursement of INR 19.15 bn, marking a 98% YoY growth. Annual disbursements increased by 42%, reaching INR 60.96 bn, with the book size growing 34% YoY to INR 86.48 bn. This growth was driven by the expansion of physical distribution and Fintech partnerships, which now contribute 22% of quarterly disbursements.
- The housing finance business saw a quarterly disbursement of INR 23.32 bn, down 7% YoY, while annual disbursements stood at INR 95.82 bn. The book size increased by 35% YoY to INR 24,929 crores, with growth supported by new partnerships and a strong distribution network.
- The SME business posted quarterly disbursements of INR 15.28bn, up 26% YoY, and annual disbursements of INR 50bn, up 37%. The book size grew by 67% YoY to INR 65.24bn, with growth aided by an increased direct growth strategy and a strong distribution network.
- Despite headwinds in microfinance, LTF remained resilient and is optimistic about FY26. The company expects a favorable operating environment and increased business momentum, especially in urban and rural businesses in H2FY26.
- LTF aims for a 20%+ growth in book size in FY26, with rural group loans in the MFI business expected to start growing in Q1FY26, supported by better-than-normal monsoons.
- LTF's agenda for FY26 includes continuing growth across all business lines, focusing on credit administration improvements, and the implementation of technology initiatives such as Cyclops and Nostradamus to drive growth in a risk-calibrated manner.
- The company continues to focus on prime and near-prime segments for personal loans, with key partners such as CRED, PhonePe, and Amazon, primarily providing loans to salaried prime customers.
- LTF is focusing on high-yield support businesses such as Micro-lap and gold loans, with plans to expand to 100-150 more branches in FY26.
- The farm business grew 15% YoY, with Q1 and Q2 being peak quarters for tractor sales. The company expects strong tractor disbursements supported by good monsoons and price increases by OEMs.
- In the two-wheeler segment, the implementation of the Cyclops engine has reduced high-risk customers (from 10%-13% to 3%), leading to a drop of INR 3bn in disbursements. However, this is a strategic decision to focus on prime and near-prime customers, and disbursements will be recalibrated upwards in Q1 and Q2FY26.

- Home loans and LAP did not see a slowdown. The apparent slowdown was due to INR 8bn of disbursed checks that had not been banked. The new guideline requires loans to be onboarded into the system only once the checks are banked, leading to a temporary discrepancy in the disbursal records.
- In FY27, overall growth between 20% and 25% is expected. Some businesses may grow at 30%, while others may grow slower. The emphasis is on a calibrated growth strategy across different segments, focusing on balance rather than aggressive expansion.
- For the MFI business, LTF considers a growth rate of 15% to 20% to be ideal. Growing the MFI business faster than this may lead to asset quality issues, which LTF wants to avoid. Rainfall remains a key variable, as it can significantly impact the rural business and MFI growth.
- LTF has seen a shift towards urban businesses, partly due to tempering disbursements in RBF. However, the gold loan business, which is targeted at both urban and rural customers, may increase the share of the rural business, particularly with INR 150bn of gold loans already borrowed by MFI customers. LTF will continue to focus on calibrated growth, not necessarily aiming for a strict urban versus rural split but adapting based on opportunities in both markets.
- CRED partnership operates on a co-lending model (90% from the company, 10% from the partner), while the other partnerships with PhonePe and Amazon are purely origination-based, meaning they focus on sourcing customers, but there is no sharing of credit cost. The risk profile of customers is very important, and the company applies targeted risk metrics to ensure that only high-quality customers are onboarded.
- The average ticket size for these loans is ~INR 0.25mn, and the average interest rate is 16%. The processing fee ranges between 1.5% and 2%, depending on the platform. In terms of disbursements, about INR 6bn has been disbursed through these platforms. The company saw significant growth in volume, increasing disbursements from INR 990mn in January to INR 2,150mn in March.
- The decline in the percentage of personal loans to existing customers (from 49% to 42%) is due to a denominator effect, where the acquisition of new customers through digital channels has increased. While the percentage has declined, the absolute value has not gone down. The business is still growing in terms of the total amount, but as the number of new customers (from platforms like Amazon, PhonePe, etc.) increases, the percentage of loans to existing customers may appear smaller.
- This is different from many competitors which have scaled down partnerships in personal loans. The average ticket size for personal loans is about INR 0.25mn, with a 28 to 30-month term.
- LTF maintains strict focus on underwriting and ensures it serves only prime, credit-worthy customers. Partnerships such as Amazon have been selectively targeted, and LTF is only working with high-quality customers with strong Bureau track.
- Despite many competitors facing asset quality issues in MFI, LTF has seen growth of 6% YoY in its MFI portfolio, while most others have experienced a contraction.
- LTF has increased village coverage by 25% QoQ to target non-leveraged customers, which is essential in maintaining growth while ensuring high-quality loans. New customers are being acquired in regions such as West Uttar Pradesh and Rajasthan, which were previously underserved. The company remains committed to its core underwriting philosophy, even as it expands geographically and increases its focus on granular, rural distribution.
- The SR book has declined by INR 9bn YoY, reducing the net carrying value to ~INR 58bn.
- The SR book is sufficiently provided for, with 58-59% provisioning in place. So, the book is well-protected in terms of provisions. While there may not be significant resolutions in FY26, the expectation is that significant reductions will occur in FY27 and FY28. This will help release capital and lower the interest cost associated with the SR book, reducing the cost by 30-40bps.

Financial performance

- LTF reported its highest-ever annual ROA of 2.44%, up by 12bps YoY, despite challenges in microfinance and risk-adjusted disbursements across all business lines.
- LTF is committed to achieving its long-term ROA goals of 2.8% to 3% by FY26, with further improvement expected as sector headwinds in microfinance subside.
- Operating expenses are expected to follow a similar trend as the investments in core technology.
- The positive impact on ROA will primarily come from operating expense efficiencies and improved credit cost management.
- Cyclops is being implemented across all lines of business except MFI (due to the low digital footprint in that segment).
- The benefits from Cyclops are expected to come through in terms of scale and operating leverage as the portfolio stabilizes and risk metrics improve. The company anticipates that these initiatives, including the rollout of Nostradamus in FY26, will further reduce credit costs and improve operating efficiency.

Margin analysis

- LTF expects the NIM + fees to trend between 10% and 10.5% in FY26, reflecting the ongoing book mix realignment, and will focus on building operational efficiencies in collections and credit administration.
- Despite the impact of the regulatory changes on the microloan business, LTF is confident in maintaining its NIM plus fee guidance of 10% to 10.5%. The growing MFI and personal loan portfolios, along with the upcoming gold loan business acquisition in Q2, are expected to help maintain this range.
- LTF plans a calibrated approach to the home loan business, shifting focus to LAP to balance yields.
- COF is expected to remain stable in the short term, with potential reductions from RBI rate cuts in H2FY26, which will positively impact the ROA.

Asset quality

- LTF responded proactively to an ordinance in Karnataka aimed at preventing coercive practices by unregistered lenders, which impacted collection efficiencies. However, by March and April 2025, collections improved steadily, with expectations of stabilization by Q2FY26.
- LTF has maintained strong asset quality, with retail GS3 and NS3 at 3.29% and 0.97%, respectively, both below threshold levels, despite challenges in the microfinance sector.
- Operational and credit quality issues in unsecured consumer lending, particularly in microfinance, were driven by macro factors such as heatwaves, floods, and a slowdown in rural employment schemes during elections.
- To address these challenges, LTF utilized INR 4bn of macroprudential provisions in FY25, with INR 1bn used in Q3FY25 and INR 3bn in Q4FY25, maintaining an unutilized buffer of INR 5.75bn.
- Credit costs are projected to decrease in Q3 and Q4 of FY26, improving ROA to 2.4%-2.5% for the full year, with better performance in H2. The guidance does not account for unforeseen geopolitical risks.
- Higher credit costs are seen in MFI loans, with INR 3bn allocated to manage this.
- The farm business witnessed lower credit costs, while two-wheeler and personal loan sectors witnessed higher credit costs. The farm business has shown improvement, with credit metrics cleaning up over time. LTF is confident about this segment due to structural changes in sales, collections, and credit. Especially with good monsoon forecasted, strong growth will come in.
- LTF witnessed significant clean-up in the two-wheeler portfolio, with the index balance improving from 101% to 85%.

- The Cyclops system, alongside CIBIL's credit vision algorithm, has reduced risk in the portfolio from 11% to 3%-4%.
- In the farm equipment business, the check bounces have dropped significantly from 159% to 38%, indicating improved portfolio quality and allowing for more calibrated disbursements.
- Due to tighter credit metrics in the past 12 months, LTF expects a normalized credit cost trajectory in H2FY26, with some residual impact from FY25 flowing into H1FY26. Directionally, the credit cost should come to 2.3%-2.5%.
- Collections efficiency outside Karnataka was 99.6%, indicating strong movement towards normalcy in the MFI business. Significant improvements were made in credit quality and business performance in H2FY26.
- LTF believes the industry crisis in the RBF business has bottomed out and expects limited impact from Mfin 2.0 guardrails due to minimal leverage in +2 segments.
- The MFI business is expected to gain disbursement momentum with good monsoons and a strong *Kharif* crop, with normalization by the festival season of FY26.
- The Tamil Nadu Bill targets unregulated lending, including digital lending, and is broader than just MFI. The company sees these regulations as a transitory impact.
- In Karnataka, collections efficiency improved after initial setbacks, similar to Tamil Nadu, with confidence that the industry will proactively manage any fallout based on past experiences.
- LTF has seen the worst of credit costs, especially in micro-loans, and used INR 3bn for provisioning. It had anticipated higher delinquency in Q4 across segments, and farm credit costs have stabilized, while two-wheeler credit costs will take two more quarters to normalize.
- The 2.3%-2.5% range for credit cost includes any potential macroeconomic fluctuations, with the company already achieving 99.64% collections efficiency (excluding Karnataka), indicating that the portfolio is close to normalcy.
- The personal loan segment has stabilized, while the two-wheeler segment still needs some more quarters to normalize fully in terms of credit costs.
- For the MFI business, the macro-prudential provisions are robust enough (with INR 5.75bn in provisions) to absorb any shocks, ensuring that these provisions may not impact the P&L in the upcoming period.

Exhibit 2: Lakshya 2026 journey – RoA trajectory

Consolidated LTF (%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Retailization	75	82	88	91	94	95	96	97	97
NIMs	7.63	8.06	8.62	8.97	9.14	9.31	8.94	8.50	8.15
Fees	1.58	1.58	2.22	1.95	2.11	1.77	1.92	1.83	2.01
NIMs + fees	9.21	9.64	10.84	10.93	11.25	11.08	10.86	10.33	10.15
Opex	3.58	3.81	4.29	4.38	4.69	4.45	4.17	4.41	4.22
Credit cost	2.24	2.33	2.58	2.52	2.39	2.37	2.59	2.49	2.54
Opex + credit cost	5.82	6.14	6.86	6.89	7.08	6.83	6.77	6.90	6.76
RoA	1.90	2.13	2.42	2.53	2.19	2.68	2.60	2.27	2.22
PAT (INR mn)	5,010	5,310	5,950	6,400	5,540	6,860	6,960	6,260	6,360
Retail Book (INR mn)	610,530	642,740	694,170	747,590	800,370	844,440	889,750	922,240	951,800
Consolidated book (INR mn)	808,930	785,660	787,340	817,800	855,650	887,170	930,150	951,200	977,620
PCR	69	71	76	75	76	75	71	71	71
NS3	1.51	1.19	0.82	0.81	0.79	0.79	0.96	0.97	0.97
CRAR	25	26	25	25	23	22	22	22	22

Source: Company, Elara Securities Research

Exhibit 3: AUM split tilting towards retail

Particulars (INR mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Retail	610,530	642,740	694,170	747,590	800,370	844,440	889,750	922,240	951,800
Wholesale	195,120	140,350	92,550	70,200	55,280	42,730	40,400	28,970	25,820
De-focused	3,280	2,570	620	0	0	0	0	0	0
Total AUM	**808,930**	**785,660**	**787,340**	**817,790**	**855,650**	**887,170**	**930,150**	**951,210**	**977,620**

Source: Company, Elara Securities Research

Exhibit 4: Disbursements break-down – Retail disbursement contributing ~100% to the total as of Q4FY25

Particulars (INR mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Retail	112,820	111,920	135,000	145,310	150,430	148,380	150,920	152,100	148,990
Wholesale	10,280	11,720	1,980	3,340	3,230	1,790	710	0	150
Total disbursements	**123,100**	**123,640**	**136,980**	**148,650**	**153,660**	**150,170**	**151,630**	**152,100**	**149,140**

Source: Company, Elara Securities Research

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

Particulars (INR mn/%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
AUM (INR mn)	**186,930.0**	**197,430.0**	**216,720.0**	**231,100.0**	**247,160.0**	**258,870.0**	**265,390.0**	**262,310.0**	**263,200.0**
MFI as a % of the total AUM	*23.1*	*25.1*	*27.5*	*28.3*	*28.9*	*29.2*	*28.5*	*27.6*	*26.9*
Disbursements (INR mn)	**44,010**	**42,170.0**	**57,970.0**	**53,990.0**	**57,680.0**	**57,730.0**	**54,350.0**	**45,990.0**	**51,140.0**
MFI disbursements as a % of total disbursements	*35.8*	*34.1*	*42.3*	*36.3*	*37.5*	*38.4*	*35.8*	*30.2*	*34.3*
Vintage (years)	14+	14+	14+	14+	15+	16+	16+	16+	16+
Branch count (units in nos.)	1,700	1,700	1,700	1,700	1,800	1,800	1,900	2,000	2,000
Customer base (mn)	12	13	14	14	14	14	14	15	15
Collection efficiency (%)	99.8	99.8	99.8	99.8	99.8	99.7	99.4	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	70.0			70.0	70.0	70.0	70.0

Source: Company, Elara Securities Research

Exhibit 6: Farm Equipment Finance disbursements dropped; hopeful that good monsoons will script a turn-around

Particulars (INR mn/%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
AUM (INR mn)	128,190	131,250	133,510	138,450	138,920	142,040	144,880	150,750	152,190
Farm Equipment Finance as a % of the total AUM	*15.8*	*16.7*	*17.0*	*16.9*	*16.2*	*16.0*	*15.6*	*15.8*	*15.6*
Disbursements (INR mn)	15,560	17,570.0	15,340.0	20,270.0	15,300.0	19,030.0	17,820.0	24,950.0	17,550.0
Farm Equipment Finance as a % of total disbursements	*12.6*	*14.2*	*11.2*	*13.6*	*10.0*	*12.7*	*11.8*	*16.4*	*11.8*
Vintage (years)	18+	18+	18+	18+	19+	19+	20+	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)	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
States of presence	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	Uttar Pradesh, Madhya Pradesh, Telangana, Karnataka
Dealer relationships (units in nos.)	2,500+	2,500+	2,500+	3,000+	~2,500	~2,500	~2,500	~2,500	~2,400
TAT (nos. of hrs)	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Collection efficiency(%)	93.6	91.2	91.6	91.8	93.3	91.8	91.5	92.8	93.0

Source: Company, Elara Securities Research

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

Particulars (INR mn/%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
AUM (INR mn)	89,600	91,900	95,180	104,470	112,050	120,250	126,690	126,760	123,210
Two wheeler Finance as a % of the total AUM	*11.1*	*11.7*	*12.1*	*12.8*	*13.1*	*13.6*	*13.6*	*13.3*	*12.6*
Two wheeler finance disbursements (INR mn)	17,270	17,260.0	18,170.0	25,400.0	25,020.0	26,210.0	23,930.0	24,140.0	18,570.0
Two wheeler as a % of total disbursements	*2.1*	*14.0*	*13.3*	*17.1*	*16.3*	*17.5*	*15.8*	*15.9*	*12.5*
Vintage (years)	10+	10+	10+	10+	10+	10+	10+	10+	10+
Branch count (units in nos.)	NA	NA	101	107	109	111	128	137	137
Customer base (mn)	6.5	6.5	6.7	7.0	7.3	7.5	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, Gujarat, Tamil Nadu	West Bengal, Gujarat, Tamil Nadu	West Bengal, Gujarat, Tamil Nadu	West Bengal, Gujarat, Tamil Nadu
Dealer relationships (units in nos.)	5,500+	5,500+	6,500	6,500	10,500+	11,000+	10,500+	9,500+	8,400+
Collection efficiency	98.4	97.9	97.9	98.4	98.7	98.0	98.1	98.5	98.6

Source: Company, Elara Securities Research

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

Particulars (INR mn/%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Personal loan AUM	54,710	59,950	64,810	59,950	64,270	64,400	71,780	78,200	86,480
Personal loan as a % of the total AUM	*6.8*	*7.6*	*8.2*	*7.3*	*7.5*	*7.3*	*7.7*	*8.2*	*8.8*
Personal loan disbursements (INR mn)	13,220	11,620	13,080	8,470	9,680.0	11,780.0	13,610.0	16,420.0	19,150.0
Personal loan as a % of total disbursements	*1.6*	*9.4*	*9.5*	*5.7*	*6.3*	*7.8*	*9.0*	*10.8*	*12.8*

Source: Company, Elara Securities Research

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

Particulars (INR mn/%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Home AUM	106,780	112,740	122,160	132,570	145,500	156,900	169,300	182,020	192,500
Home AUM as a % of total AUM	*13.2*	*14.3*	*15.5*	*16.2*	*17.0*	*17.7*	*18.2*	*19.1*	*19.7*
LAP AUM	27,320	28,010	30,380	33,970	38,930	42,720	48,010	52,590	56,780
LAP AUM as a % of the total AUM	*3.4*	*3.6*	*3.9*	*4.2*	*4.5*	*4.8*	*5.2*	*5.5*	*5.8*
Home loans disbursements (INR mn)	12,440	10,720	13,560	15,120	18,230	16,560	17,910	17,890	16,610
Home loans as a % of total disbursements	*10.1*	*8.7*	*9.9*	*10.2*	*11.9*	*11.0*	*11.8*	*11.8*	*11.1*
LAP disbursements (INR mn)	2,340	2,270	3,780	4,870	6,900	5,880	7,390	6,860	6,710
LAP as a % of total disbursements	*1.9*	*1.8*	*2.8*	*3.3*	*4.5*	*3.9*	*4.9*	*4.5*	*4.5*
Home/LAP disbursements (INR mn)	14780	12,990.0	17,340.0	19,990.0	25,130.0	22,440.0	25,300.0	24,750.0	23,320.0
Home /LAP as a % of total disbursements	*12.0*	*10.5*	*12.7*	*13.4*	*16.4*	*14.9*	*16.7*	*16.3*	*15.6*

Source: Company, Elara Securities Research

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

Particulars (INR mn/%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
SME Finance AUM	13,780	17,790	24,130	30,780	39,050	44,710	51,900	58,170	65,240
SME Finance AUM as a % of total AUM	*1.7*	*2.3*	*3.1*	*3.8*	*4.6*	*5.0*	*5.6*	*6.1*	*6.7*
SME Finance disbursements (INR mn)	6,670	6,070.0	8,720.0	9,650.0	12,130.0	9,780.0	12,440.0	12,490.0	15,280.0
SME Finance as a % of total disbursements	*5.4*	*4.9*	*6.4*	*6.5*	*7.9*	*6.5*	*8.2*	*8.2*	*10.2*

Source: Company, Elara Securities Research

Exhibit 11: Lakshya 2026 – Goals versus current scenario

Particulars	Retailization (%)	Retail growth - YoY (%)	Retail asset quality (%)	Retail RoA (%)	
Lakshya 2026 goals	>95	>25 CAGR	GS3 <3 NS3 <1		2.8 - 3
Year 0 - FY22 Retail	51	10	GS3: 3.82 NS3: 1.14	Q4 2.58	FY22 1.66
Year 1 - FY23 Retail	75	35	GS3: 3.41 NS3: 0.71	Q4 2.95	FY23 2.46
Year 2 - FY24 Retail	94	31	GS3: 3.15 NS3: 0.79	Q4 2.19	FY24 2.32
Year 3 - Q1FY25 Retail	95	31	GS3: 3.14 NS3: 0.79		Q1 2.68
Year 3 - Q2FY25 Retail	96	28	GS3: 3.19 NS3: 0.96		Q2 2.60
Year 3 - Q3FY25 Retail	97	23	GS3: 3.23 NS3: 0.97		Q3 2.27
Year 3 - Q4FY25 Retail	97	19	GS3: 3.29 NS3: 0.97		Q4: 2.22 | FY: 2.44
Year 4 - FY26E Retail	98	19	GS3: 3.98		2.34%

Source: Company, Elara Securities Estimate

Exhibit 12: Robust collection efficiencies sustained over time

Particulars (%)	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Rural Business Finance															
Rural Group Loans & Micro Finance	99.8	99.8	99.8	99.7	99.7	99.6	99.5	99.5	99.4	99.3	99.3	99.4	99.4	99.0	99.4
Farmer Finance															
Farm Equipment Finance	91.4	91.7	91.7	88.4	91.1	91.8	90.7	90.8	91.5	88.9	90.3	92.8	92.4	91.6	93.0
Urban Finance															
Two Wheeler Finance	98.3	98.6	98.7	97.1	98.3	98.0	97.8	98.0	98.1	98.1	98.1	98.6	98.5	98.1	98.6
Home Loans & Lap	99.7	99.8	99.8	99.6	99.7	99.7	99.7	99.8	99.6	99.8	99.8	99.7	99.8	99.8	99.8
Personal Loans	98.5	98.6	98.8	97.6	98.5	98.4	98.4	98.5	98.3	98.4	98.7	98.8	98.4	98.6	98.8
SME Finance	99.7	99.7	99.7	99.5	99.6	99.6	99.7	99.5	99.7	99.5	99.5	99.5	99.4	99.5	99.6

Source: Company, Elara Securities Research

Exhibit 13: 0DPD across flagship products better than industry standards

Particulars (%)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Rural group loans & micro finance (JLG)								
Industry	87	87	87.2	86.8	87.4	86.9	83.5	80.2
LTF	96.4	96.8	97.1	97	96.8	96.5	95.8	94.9
Farm Equipment Finance								
Industry	80	77	78.6	77.1	79.5	78.2	79.5	78.2
LTF	83.8	84.5	83	85.7	84.8	85.3	85.7	87.6
Two Wheeler Finance								
Industry	80.7	79.6	80.3	81.1	80.7	78.1	78.9	79.6
LTF	88.3	88.6	88.9	90.1	89	89.5	89.1	89

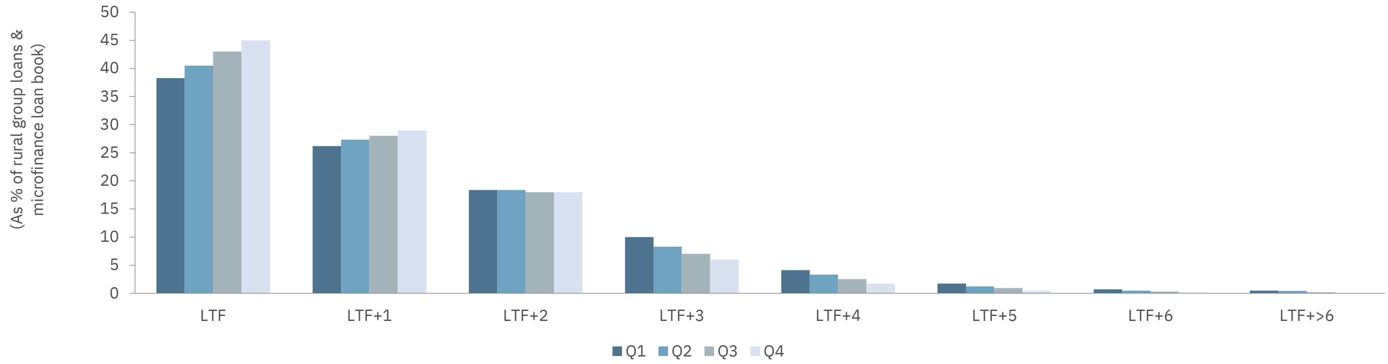
Source: Company, Elara Securities Research

Exhibit 14: Retail asset quality on downtrend; visibility on 'stage 2 loans drop' will come in 1-2 quarters

(INR mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Gross assets									
Stage 1	573,560	604,800	654,330	705,910	758,630	800,650	842,360	873,250	900,270
Stage 2	16,160	17,310	18,680	19,630	19,030	20,240	22,170	22,730	23,900
Stage 3	20,810	20,630	21,160	22,050	22,710	23,550	25,230	26,270	27,630
Total	**610,530**	**642,740**	**694,170**	**747,590**	**800,370**	**844,440**	**889,760**	**922,250**	**951,800**
Provisions									
Stage 1	2,980	3,810	4,840	4,710	4,370	4,400	4,330	4,920	5,160
Stage 2	12,070	12,540	12,610	12,960	13,080	13,540	13,290	12,660	10,040
Stage 3	16,590	16,260	16,650	17,390	17,860	18,450	18,270	18,980	20,110
Total	**31,640**	**32,610**	**34,100**	**35,060**	**35,310**	**36,390**	**35,890**	**36,560**	**35,310**
Net assets									
Stage 1	570,580	600,990	649,490	701,200	754,260	796,250	838,020	868,330	895,100
Stage 2	4,090	4,770	6,070	6,670	5,950	6,700	8,880	10,060	13,870
Stage 3	4,220	4,370	4,510	4,660	4,850	5,100	6,960	7,290	7,530
Total	**578,890**	**610,130**	**660,070**	**712,530**	**765,060**	**808,050**	**853,860**	**885,680**	**916,500**

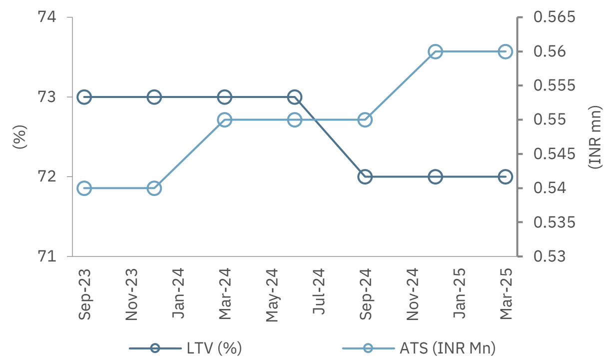
Source: Company, Elara Securities Research

Exhibit 15: Contribution of LTF+1, 2 and 3 increased from 82% (Q1FY25) to 92% (Q4FY25) of book



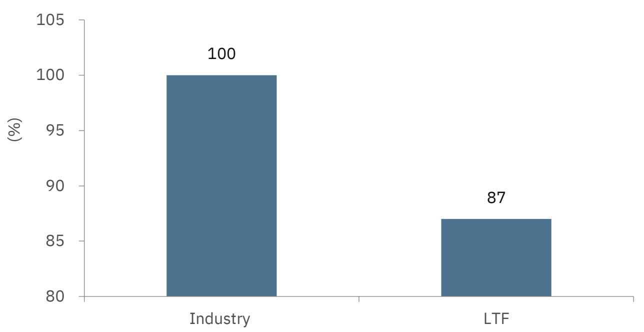
Source: Company, Elara Securities Research

Exhibit 16: Farm Equipment finance – Optimum LTV and margin



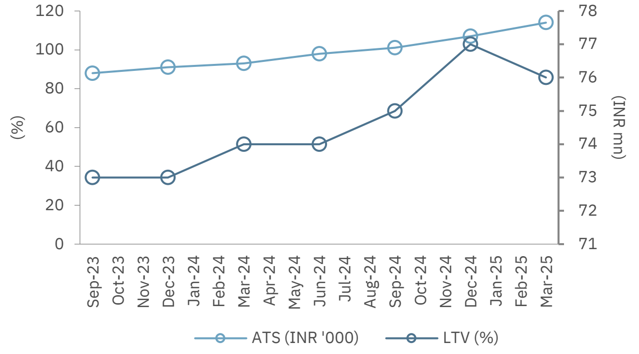
Source: Company, Elara Securities Research

Exhibit 17: Farm Equipment finance – Delinquency better than industry average



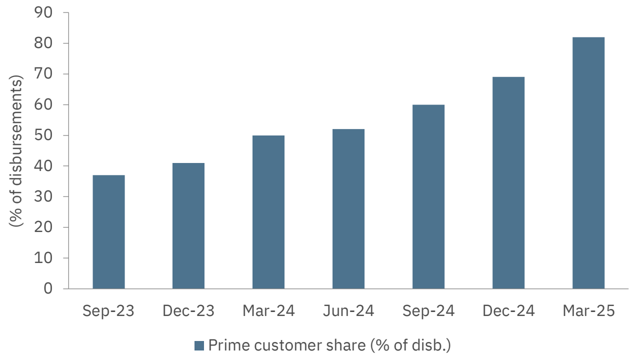
Source: Company, Elara Securities Research

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



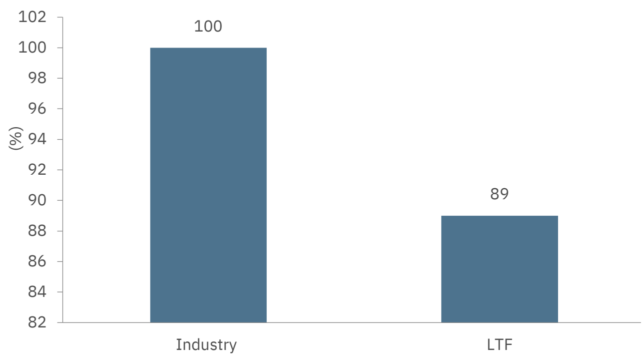
Source: Company, Elara Securities Research

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



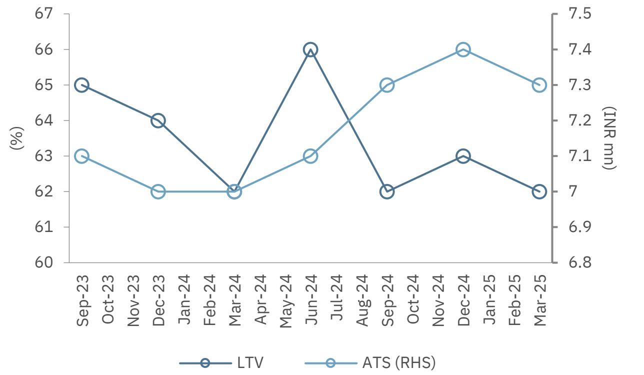
Source: Company, Elara Securities Research

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



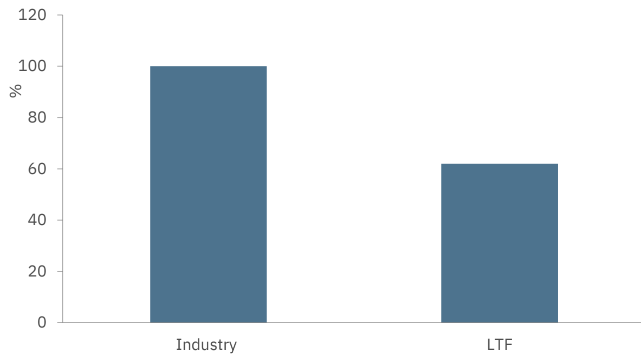
Source: Company, Elara Securities Research

Exhibit 21: Home loans – Optimum LTV and margin



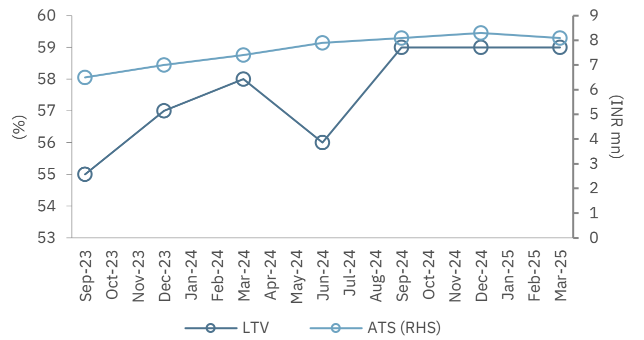
Source: Company, Elara Securities Research

Exhibit 22: Home loans – Delinquency significantly better than industry average



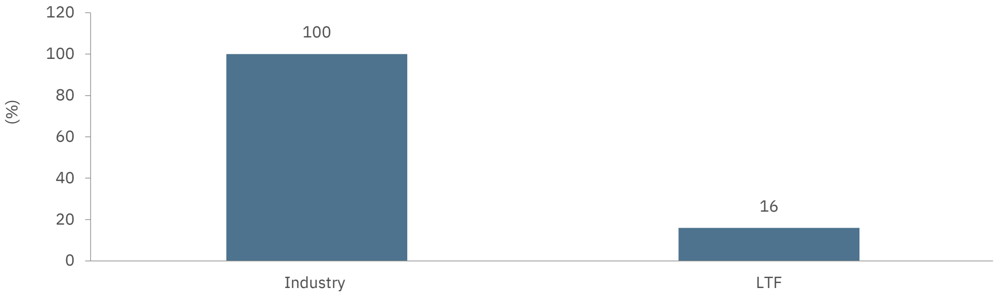
Source: Company, Elara Securities Research

Exhibit 23: LAP – Optimum LTV and margin



Source: Company, Elara Securities Research

Exhibit 24: LAP – Delinquency significantly better than industry average



Source: Company, Elara Securities Research

Exhibit 25: PLANET App – Developing digital finance delivery as a customer value proposition

Particulars (INR/No's mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Sourcing	8,430	6,300	11,680	11,750	7,150	11,260	10,240	16,830	20,270	22,560
Collections	630	1,040	1,320	1,910	2,960	3,690	5,290	6,410	7,180	7,060
Servicing (%)	38.0	42.0	47.0	47.0	67.0	75.0	82.0	82.0	86.0	85.0

Source: Company, Elara Securities Research

Exhibit 26: Enhancing customer acquisition

Cross-sell and up-sell (%)	Q1FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Total retail repeat disbursement share (count)	41	46	46	43	43	49
Total retail repeat disbursement share (value)	34	34	36	35	32	36
Rural group loans & MFI repeat % (count)	50	58	59	53	56	60
Rural group loans & MFI repeat % (value)	61	69	71	66	69	73
Farm Equipment finance repeat % (value)	19	25	19	39	22	34
Personal loans to existing customers % (value)	44	59	63	61	49	40

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	Handle disparate data sources
Payment transactions	Trust Signals	Trust Scores Thick file/Thin file	NTC+AA	Volume handling capacity 10x+
Asset/customer location	Micro Geography	NTC	NTC+ Trust Signals	High speed transaction processing - 100+ TPS
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

1	2	3	4	5
Applicant to be 0DPD	**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
If the applicant does not satisfy **any** of 1, 2 and 3 conditions then the loan application will not be processed				Branch Process Manager (separate appraisal vertical) ensures the following: - Estimation of standard of living & repayment capacity - KYC verification - On-ground sensing

Source: Company, Elara Securities Research

Exhibit 29: Portfolio monitoring norms

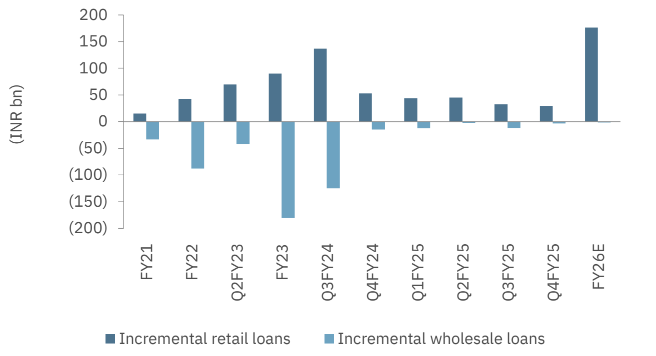
Monthly customer leverage tracker	Strong monthly customer leverage tracker Early Warning Signals	Exclusive Risk Control Unit
Comprehensive customer leverage tracker dashboard deployed	Customer profiling to predict repayment behaviour and propensity to default	A 700-member strong team with pan-India presence, 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 the 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 and output matrix for LTF decisioning on customer retention and geo strategy		

Source: Company, Elara Securities Research

Exhibit 30: Accelerated deceleration in wholesale piece

Source: Company, Elara Securities

Exhibit 31: Retail expansion ahead of targets



Source: Company, Elara Securities Estimate

Exhibit 32: LTF – Business snapshot

Particulars (INR mn)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
AUM	400,820	472,320	582,560	666,480	853,540	991,210	983,840	940,130	883,410	808,930	855,650	977,620	1,152,334	1,367,043	1,624,128
YoY growth %	20.3	17.8	23.3	14.4	28.1	16.1	(0.7)	(4.4)	(6.0)	(8.4)	5.8	14.3	17.9	18.6	18.8
Disbursements	259,590	324,810	417,650	471,800	673,100	582,250	371,610	283,240	372,020	469,750	562,920	600,550	706,434	1,098,309	1,803,390
YoY growth %	13.1	25.1	28.6	13.0	42.7	(13.5)	(36.2)	(23.8)	31.3	26.3	19.8	6.7	17.6	55.5	64.2
NII	18,377	23,662	27,122	32,533	37,095	50,535	60,592	60,156	61,642	69,747	75,367	86,665	93,879	111,054	129,664
YoY growth %	23.0	28.8	14.6	20.0	14.0	36.2	19.9	(0.7)	2.5	13.1	8.1	15.0	8.3	18.3	16.8
Opex	9,123	10,771	13,129	12,765	19,531	26,886	23,603	25,270	36,377	38,136	43,265	42,596	47,442	55,116	62,753
YoY growth %	46.6	18.1	21.9	(2.8)	53.0	37.7	(12.2)	7.1	44.0	4.8	13.4	(1.5)	11.4	16.2	13.9
Provisions	4,261	6,617	7,810	15,899	14,182	7,009	19,942	29,780	17,092	15,602	13,224	21,934	17,338	17,866	22,557
YoY growth %	56.0	55.3	18.0	103.6	(10.8)	(50.6)	184.5	49.3	(42.6)	(8.7)	(15.2)	65.9	(21.0)	3.0	26.3
PAT	5,209	6,006	6,947	10,422	12,784	22,320	17,003	9,489	10,492	15,365	23,171	26,434	30,811	39,043	45,069
YoY growth %	16.4	15.3	15.7	50.0	22.7	74.6	(23.8)	(44.2)	10.6	46.4	50.8	14.1	16.6	26.7	15.4
Net worth	17,184	17,203	17,534	17,557	19,957	19,988	20,048	24,695	24,740	24,797	24,889	24,949	24,949	24,949	24,949
YoY growth %	0.1	0.1	1.9	0.1	13.7	0.2	0.3	23.2	0.2	0.2	0.4	0.2	0.0	0.0	0.0
EPS (INR)	2.59	2.85	3.04	5.23	6.41	11.17	8.48	3.84	4.24	6.20	9.31	10.60	12.35	15.65	18.06
YoY growth %	16.2	10.1	6.5	72.1	22.5	74.3	(24.1)	(54.7)	10.4	46.1	50.2	13.8	16.6	26.7	15.4
Book value (INR)	33.90	37.07	40.36	39.72	57.16	67.28	73.29	76.02	80.63	86.82	94.17	102.47	118.58	134.23	152.30
YoY growth %	6.4	9.3	8.9	(1.6)	43.9	17.7	8.9	3.7	6.1	7.7	8.5	8.8	15.7	13.2	13.5
Adj. book value (INR)	30.28	34.71	35.52	32.55	48.20	59.67	66.03	72.12	75.88	81.54	89.30	98.58	115.32	131.60	150.60
YoY growth %	0.2	14.6	2.4	(8.4)	48.1	23.8	10.7	9.2	5.2	7.5	9.5	10.4	17.0	14.1	14.4

Source: Company, Elara Securities Estimate

Exhibit 33: Retain Accumulate with TP raised to INR 176 at 1.3x FY27E P/ABV

Valuation	
Fair value of consolidated business (INR)	175
Fair value of AMC (INR)	-
Fair value of PE/wealth management (INR)	**-**
Total – Fair value of LTFH (INR)	**176**
Target P/ABV – Lending business (x)	**1.3**
Target P/E (x)	1132
Current price (INR)	**167**
Upside (%)	6
Dividend yield (%)	**1**
Total return (%)	6

Note: Pricing as on 30 April 2025; Source: Elara Securities Estimate

Exhibit 34: Change in estimates

INR mn	**Old estimates**		**Revised estimates**		***% Change***		**New**
	FY26E	**FY27E**	**FY26E**	**FY27E**	**FY26E**	**FY27E**	**FY28E**
Net interest income	98,644	113,913	93,879	111,054	*(4.8)*	*(2.5)*	129,664
Operating profit	66,872	78,450	58,485	70,042	*(12.5)*	*(10.7)*	82,785
Net profit	**31,959**	**39,857**	**30,811**	**39,043**	***(3.6)***	***(2.0)***	**45,069**
EPS (INR)	12.8	16	12.3	15.6	*(3.5)*	*(2.2)*	18.1
TP (INR)		**171**		**176**		**3.2**	

Source: Elara Securities Estimate

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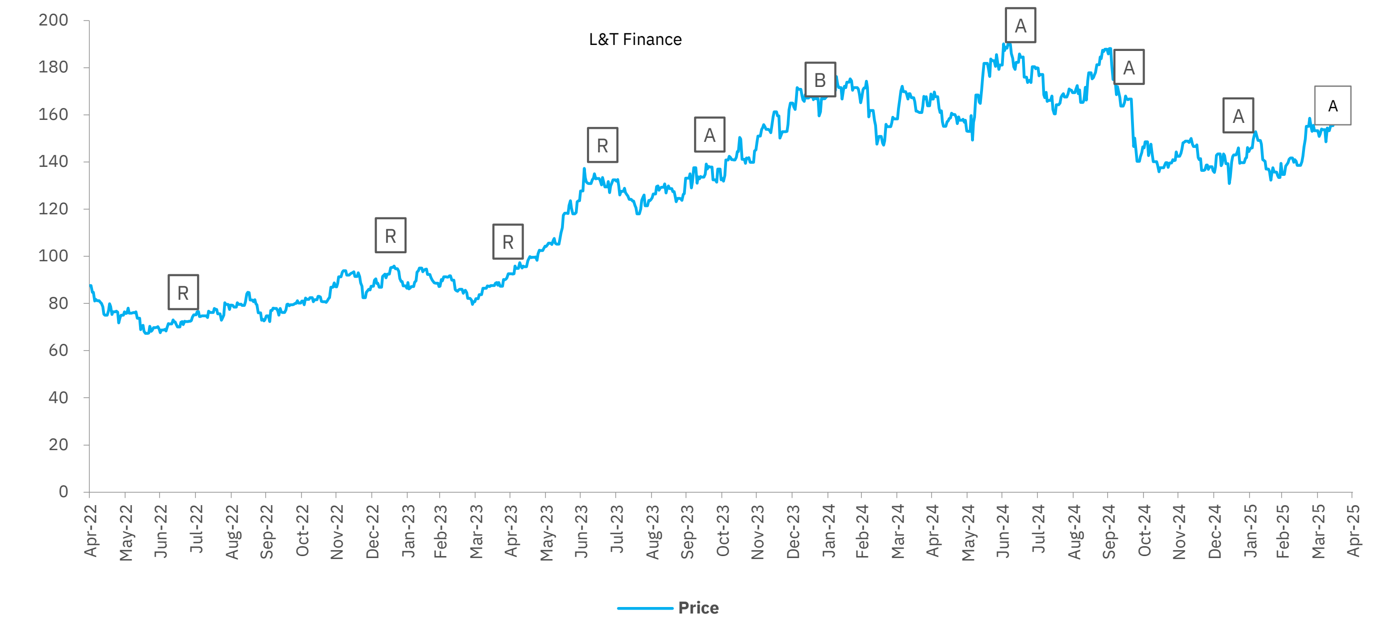

Date	Rating	Target Price (INR)	Closing Price (INR)
20-Jul-2022	Reduce	75	71
16-Jan-2023	Reduce	92	95
28-Apr-2023	Reduce	97	93
19-Jul-2023	Reduce	137	134
20-Oct-2023	Accumulate	149	138
24-Jan-2024	Buy	209	161
16-Jul-2024	Accumulate	209	184
18-Oct-2024	Accumulate	200	167
21-Jan-2025	Accumulate	171	146
30-Apr-2025	Accumulate	176	168

Guide to Research Rating

BUY (B)	Absolute Return >+20%
ACCUMULATE (A)	Absolute Return +5% to +20%
REDUCE (R)	Absolute Return -5% to +5%
SELL (S)	Absolute Return < -5%

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India
Elara Securities (India) Private Limited
One International Center, Tower 3,
21st Floor, Senapati Bapat Marg,
Elphinstone Road (West)
Mumbai – 400 013, India
Tel : +91 22 6164 8500

Europe
Elara Capital Plc.
6th Floor, The Grove,
248A Marylebone Road,
London, NW1 6JZ,
United Kingdom
Tel : +44 20 7486 9733

USA
Elara Securities Inc.
230 Park Avenue, Suite 2415,
New York, NY 10169, USA
Tel: +1 212 430 5870
Fax: +1 212 208 2501

Asia / Pacific
Elara Capital (Asia) Pte.Ltd.
One Marina Boulevard,
Level 20,
Singapore 018989
Tel : +65 6978 4047

Managing Director	**Harendra Kumar** | harendra.kumar@elaracapital.com | +91 22 6164 8571
Head of Research	**Dr Bino Pathiparampil** | bino.pathiparampil@elaracapital.com | +91 22 6164 8572

Sales Team

India	**Hitesh Danak** - hitesh.danak@elaracapital.com - +91 22 6164 8543 **Ashok Agarwal** - ashok.agarwal@elaracapital.com - +91 22 6164 8558
India, APAC & Australia	**Sudhanshu Rajpal** - sudhanshu.rajpal@elaracapital.com - +91 22 6164 8508 **Joshua Saldanha** - joshua.saldanha@elaracapital.com - +91 22 6164 8541 **Shraddha Shrikhande** - shraddha.shrikhande@elaracapital.com - +91 22 6164 8567
India & UK	**Prashin Lalvani** - prashin.lalvani@elaracapital.com - +91 22 6164 8544
India & US	**Karan Rathod** - karan.rathod@elaracapital.com - +91 22 6164 8570
Corporate Access, Conference & Events	**Anita Nazareth** - anita.nazareth@elaracapital.com - +91 22 6164 8520 **Tina D'souza** - tina.dsouza@elaracapital.com - +91 22 6164 8595