

L&T Finance

BSE SENSEX 76,489 S&P CNX 24,032



Bloomberg	LTF IN
Equity Shares (m)	2503
M.Cap.(INRb)/(USDb)	699.9 / 7.3
52-Week Range (INR)	329 / 169
1, 6, 12 Rel. Per (%)	-4/1/63
12M Avg Val (INR M)	1919

Financials & Valuations (INR b)

Y/E March	FY26	FY27E	FY28E
Total Income	99.0	122.1	146.1
PPP	67.4	83.9	100.6
PAT	29.8	39.0	49.1
EPS (INR)	11.9	15.6	19.6
EPS Gr. (%)	12.4	30.7	25.9
BV/Sh. (INR)	112	125	140

Ratios

NIM (%)	9.4	9.4	9.4
C/I ratio (%)	39.8	38.9	38.6
RoAA (%)	2.3	2.5	2.6
RoE (%)	11.1	13.2	14.8
Payout (%)	23.1	25.0	25.0

Valuation

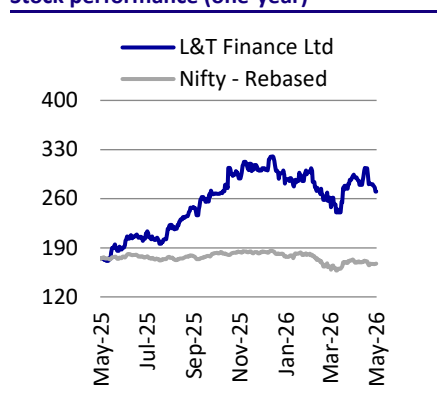
P/E (x)	23.4	17.9	14.2
P/BV (x)	2.5	2.2	2.0
Div. Yield (%)	1.0	1.4	1.8

Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	66.0	66.0	66.2
DII	14.9	15.3	13.3
FII	7.6	6.7	5.5
Others	11.5	12.0	15.0

FII includes depository receipts

Stock performance (one-year)



CMP: INR279

TP: INR340 (+26%)

Buy

Lakshya 2031: Building a premier AI-enabled retail financier

Risk First. Tech First. Scale Ready. Retailization complete; AI journey begins

FY26 marked a strategic inflection point for L&T Finance (LTF) as the company concluded its Lakshya 2026 transformation roadmap and now transitions into the next growth phase under Lakshya 2031. The company has effectively transformed itself from a diversified, wholesale-oriented financier into a predominantly retail-focused NBFC with 98% retailization, an INR1.2t total loan book, and one of the most technology-intensive operating models within the Indian NBFC sector. Despite macroeconomic volatility and stress in the microfinance ecosystem, LTF delivered a healthy FY26. The bigger story, however, lies in the development of institutional architecture around AI-led underwriting, digital servicing, cross-sell ecosystems, and granular retail franchise expansion.

- Over the last four years, LTF has transformed itself from a diversified, wholesale-oriented lender into a granular, retail-focused financier anchored on a “Risk-First, Tech-First” operating philosophy. A key highlight of FY26 was the deepening integration of proprietary AI-led underwriting, monitoring, and servicing capabilities across business verticals. Platforms such as Project Cyclops, Project Nostradamus, Project Helios, Project Orion, and the PLANET ecosystem have collectively strengthened customer acquisition, underwriting precision, portfolio monitoring, collections efficiency, servicing, and cross-sell capabilities.
- LTF also strategically entered the high-yield secured gold finance segment through the acquisition of Paul Merchants Finance’s gold loan business. Within a relatively short period, it expanded the gold loan branch network to 330 branches and is positioning gold finance as one of the key fulcrum businesses under the Lakshya 2031 roadmap, aided by strong cross-sell opportunities within its existing rural and retail customer base.
- Going forward, Lakshya 2031 aims to position LTF as India’s premier AI-enabled retail BFSI franchise. The next phase of growth is expected to be driven by technology-led execution, resilient and granular portfolios, AI-enabled cross-sell engines, productivity enhancement initiatives, and a sharper focus on sustainable profitability improvement.
- Management has guided for more than 20% loan book growth, <2% credit costs, RoA of 3.0-3.2%, and RoE of 16-18% over the medium term under Lakshya 2031. We believe the company’s granular retail franchise, AI-led operating architecture, expanding secured product mix, and improving cross-sell capabilities position it well to deliver sustainable earnings compounding over the next few years.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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- We expect LTF to deliver a PAT CAGR of ~28% over FY26-28, driven by healthy retail loan growth, operating leverage benefits from technology investments, moderation in credit costs, and improving profitability across key business segments. Consequently, we estimate the RoA/RoE to improve to 2.6%/15.0% by FY28. **We reiterate our BUY rating on LTF with a TP of INR340, based on 2.4x Mar'28E P/BV, supported by improving return ratios, strengthening franchise quality, and the company's emergence as a scalable AI-enabled retail financial services platform.**

AI-led operating architecture is the key differentiator

- One of the most striking aspects of the FY26 annual report is the depth of AI integration across underwriting, collections, servicing, and productivity enhancement. Management repeatedly emphasizes that technology is no longer a support function - it has become the core operating engine.
- Project Cyclops, which is its AI-based underwriting engine, is using more than 55 algorithms and processing over 1,400 transactions per second. This has led to better risk segmentation, faster approvals, lower delinquencies, and credit cost volatility.
- Project Nostradamus is its AI-led early warning and portfolio monitoring engine, and Project Helios is its AI co-pilot, which is reducing underwriting TAT sharply. These projects are strategically important because future NBFC winners are likely to be differentiated not by balance sheet size alone, but by data intelligence and predictive risk analytics.
- LTF is attempting to build an "AI-native NBFC" rather than simply digitizing legacy processes. Management appears to be structurally redesigning operating leverage through AI. Management highlights that the investments made across digital architecture, underwriting systems, analytics, and customer engagement platforms during Lakshya 2026 have created a scalable foundation for the next phase of growth.

Gold finance could become a major growth driver

- The acquisition of the gold finance business from Paul Merchants may emerge as one of the most strategically important decisions for LTF. Gold loans offer secured lending, high yields, lower credit costs, faster loan cycles, and strong rural cross-sell potential.
- Within only eight months, LTF has added 200+ gold loan branches, and the total number of gold branches has surpassed 330. Management also highlighted that many of its existing MFI and farmer finance customers already have unmet gold loan demand, making cross-sell economics attractive. This will help LTF improve the secured loan mix, reduce volatility of earnings, deepen customer engagement, and increase lifetime customer value.

NIM resilience supported by portfolio mix optimization and stable CoF

- LTF continued to focus on balancing strong retail growth with disciplined risk-taking, granular portfolio diversification, and prudent liability management during FY26. The company optimized NIMs through a calibrated mix of high-yield unsecured products and secured lending businesses, while diversified borrowings and PSL-linked funding supported funding efficiency.
- Gold Finance is expected to emerge as a key RoA-accretive business given its attractive yields, secured nature, and lower credit cost profile.

- We expect its NIM to remain broadly stable over the next couple of years, supported by stable yields and improving portfolio mix, and model NIM of 9.4% each for FY27E/FY28E.

Technology-led operating leverage to drive cost efficiency in the medium term

- LTF invested in technology, AI infrastructure, customer acquisition, branch expansion, and digital ecosystems in FY26, as it continued building long-term operating capabilities. The company scaled investments across proprietary AI platforms such as Cyclops, Nostradamus, Helios, Orion, and the PLANET app to strengthen underwriting, portfolio monitoring, servicing, and workflow automation.
- Management in the Annual Report has highlighted that these investments were consciously front-loaded under Lakshya 2026 and are expected to drive operating leverage through improved productivity, faster turnaround times, and lower manual intervention.
- LTF expects technology-led automation, digital adoption, and scaling benefits from existing investments to gradually improve cost efficiency and profitability under Lakshya 2031.

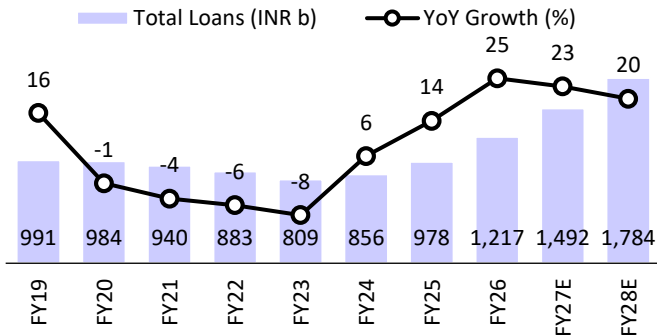
AI-led underwriting driving asset quality resilience

- LTF maintained resilient asset quality during FY26 despite a challenging credit environment, supported by disciplined underwriting, AI-led monitoring, and strong collection mechanisms.
- Project Cyclops has been deployed across key businesses, including 2W Finance, Farm Equipment Finance, SME Finance, and Personal Loans, with AI-underwritten portfolios demonstrating superior credit performance.
- In 2W Finance, the Cyclops portfolio maintained delinquency levels of ~7%, materially lower than broader industry trends, while Project Nostradamus is strengthening portfolio monitoring and early warning capabilities.
- Management has highlighted that the increasing share of secured businesses such as Gold Finance, LAP, and Micro LAP is expected to further improve portfolio resilience and support further moderation in credit costs.

Valuation and View

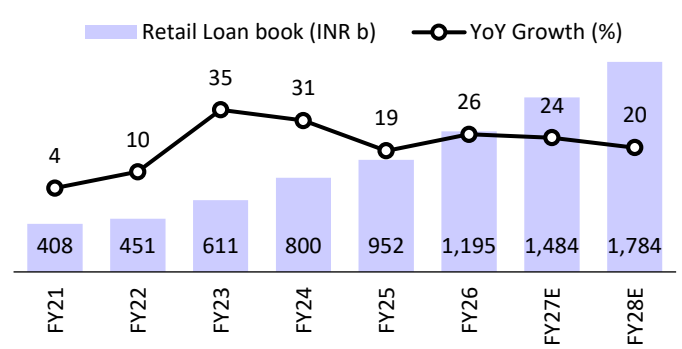
- LTF's transformation into a granular, technology-led retail financier is now visibly translating into stronger business fundamentals, improving resilience, and scalable growth opportunities. Importantly, LTF has demonstrated relatively superior navigation through the ongoing MFI credit cycle, while simultaneously diversifying into relatively less leveraged and more secured retail segments, thereby strengthening the overall quality and resilience of the franchise.
- With a rapidly expanding retail ecosystem, growing cross-sell capabilities, improving secured product mix, and technology-led operating leverage, we expect LTF to deliver a PAT CAGR of ~28% over FY26-28E, resulting in RoA/RoE of 2.6%/15% by FY28E. **We reiterate our BUY rating on LTF with a TP of INR340, based on 2.4x Mar'28E P/BV. Key risks to our thesis include NIM compression arising from increasing focus on prime customer segments, potential asset quality deterioration in relatively vulnerable retail products such as two-wheeler finance, unsecured business loans, and micro-LAP, and moderation in growth or elevated stress in rural portfolios amid uncertain geopolitical and macroeconomic conditions.**

Exhibit 1: Total loans CAGR of ~21% over FY25-28E



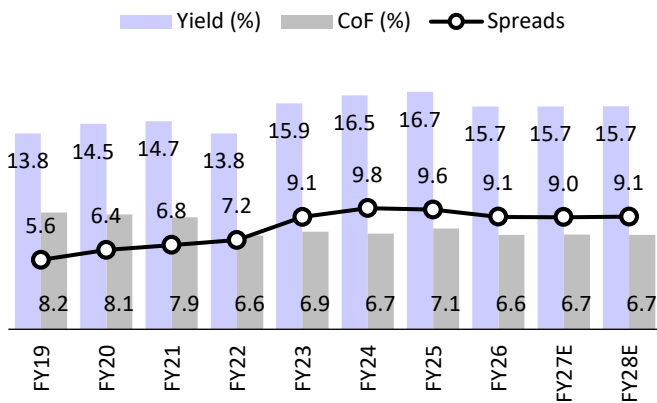
Source: MOFSL, Company

Exhibit 2: Retail loans CAGR of ~22% over FY26-FY28E



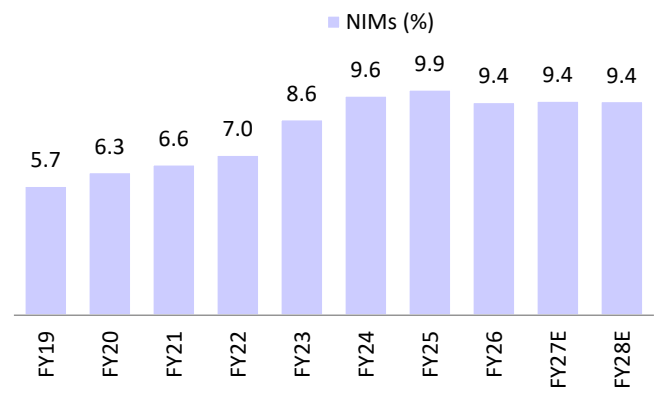
Source: MOFSL, Company

Exhibit 3: Spreads to remain broadly stable, driven by steady yields



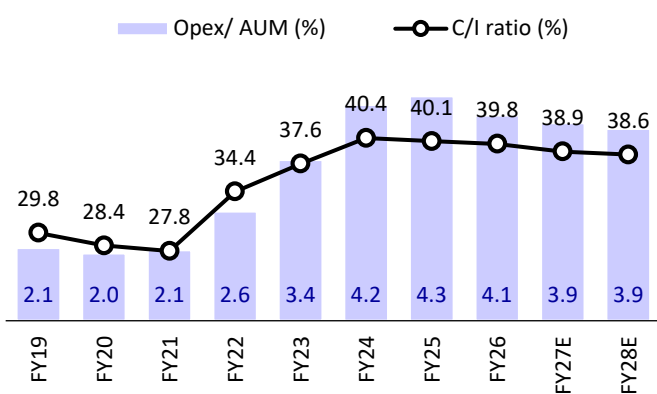
Source: MOFSL, Company

Exhibit 4: NIM expected to remain broadly stable



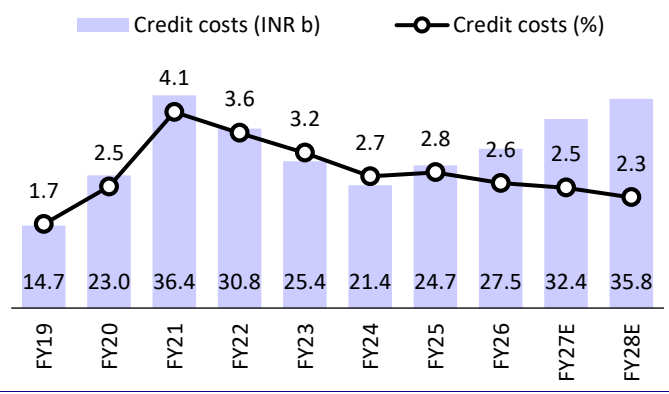
Source: MOFSL, Company

Exhibit 5: Cost ratios to improve, led by better productivity



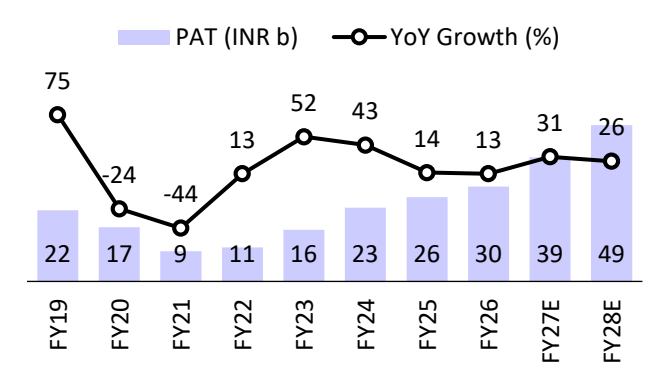
Source: MOFSL, Company

Exhibit 6: Credit costs expected to moderate going forward



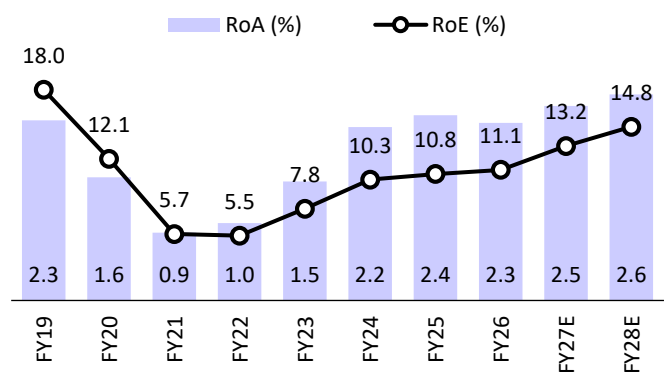
Source: MOFSL, Company

Exhibit 7: Expect PAT CAGR of ~28% over FY26-28



Source: MOFSL, Company

Exhibit 8: RoA/RoE to improve to 2.6%/15% by FY28E



Source: MOFSL, Company

Lakshya 2031 – Building India’s premier AI-enabled retail BFSI franchise

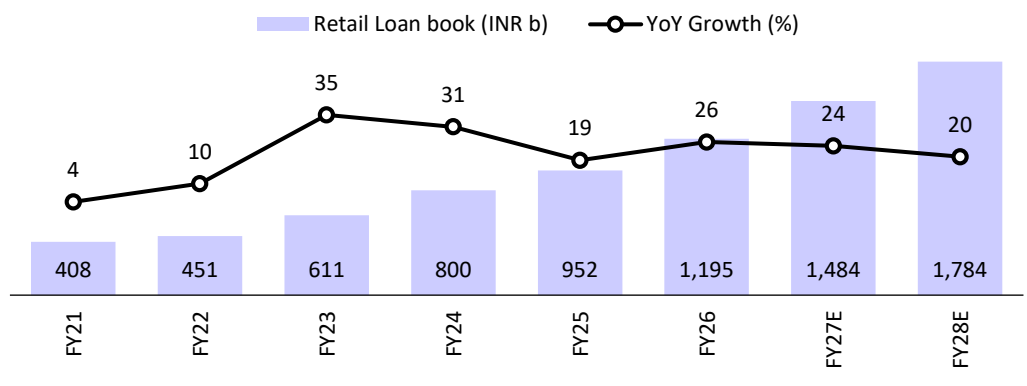
- As LTF enters the next phase of growth under Lakshya 2031, the company is repositioning itself as a “Risk-First, Tech-First” multi-product retail financier with AI embedded deeply into its operating architecture and decision-making.

Management outlined five core strategic pillars under Lakshya 2031:

- Positioning LTF as India’s premier AI-enabled retail BFSI institution.
- Building cycle-resilient portfolios with predictable risk variation.
- Achieving market leadership in JLG lending, Two-Wheeler Finance, Farm Equipment, Gold Finance, and Personal Loans.
- Leveraging AI-enabled cross-sell and servicing ecosystems.
- Unlocking productivity and operating leverage through technology and streamlined operations.

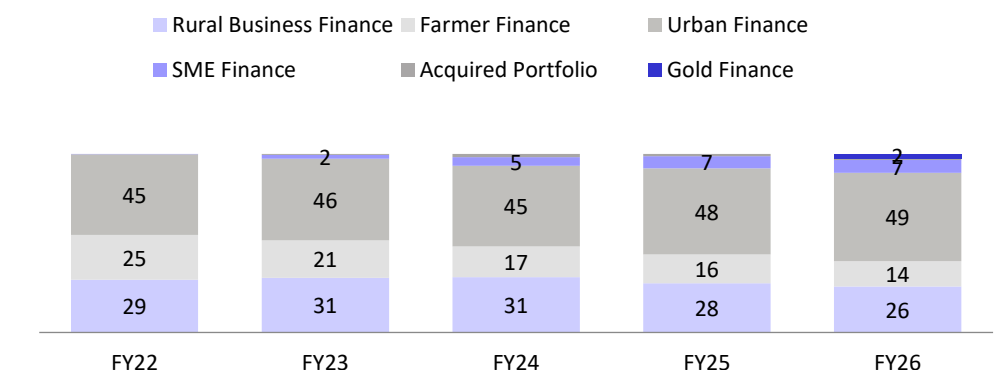
- The company intends to move beyond scale-building toward long-term economic value generation. Sustainability, AI-led productivity, digital ecosystems, responsible lending, and customer-centricity are expected to become key pillars of the next strategic phase.
- Lakshya 2031 medium-term targets include: Book growth at 20%+, credit costs of <2%, RoA of 3.0-3.2%, and RoE of 16-18%
- Management believes the investments made during Lakshya 2026 in digital infrastructure, AI architecture, customer acquisition, data platforms, and distribution expansion provide a strong foundation for delivering sustainable and profitable growth during Lakshya 2031.

Exhibit 9: Expect retail loan CAGR of ~22% over FY26-FY28



Source: Company, MOFSL

Exhibit 10: Retail AUM mix (%)

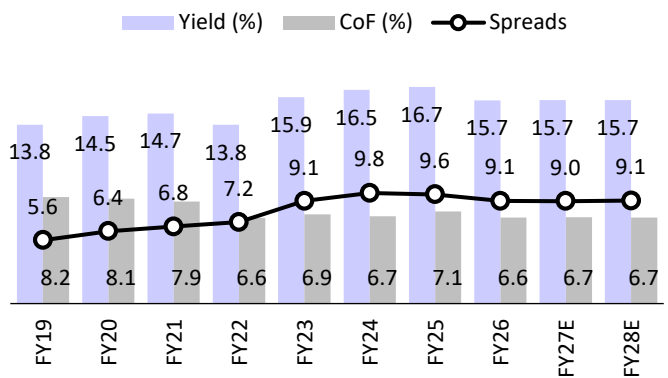


Source: Company, MOFSL

NIM resilience supported by portfolio mix optimization and stable CoF

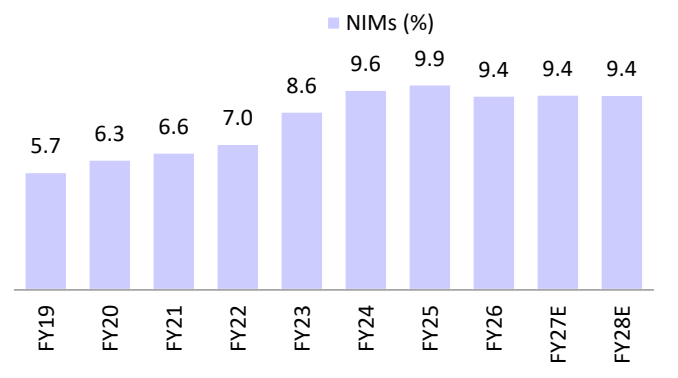
- LTF’s profitability strategy during FY26 was centered around balancing strong retail growth with calibrated risk-taking, granular portfolio diversification, and disciplined liability management. Management highlighted that the company continued to optimize NIMs through a calibrated mix of secured and unsecured lending while simultaneously improving funding efficiency through diversified borrowing sources.
- A major focus during the year was maintaining an optimal balance between higher-yielding unsecured products, such as personal loans, SME finance, MFI, and secured businesses, including farm equipment finance, home loans, LAP, and the newly acquired gold finance portfolio. The company’s entry into Gold Finance is strategically important from a margin perspective as the business offers relatively high yields along with superior collateral protection and lower loss severity. Management indicated that Gold Finance is expected to emerge as a meaningful driver of RoA expansion over the medium term.
- The company also highlighted that its strong domestic and international credit ratings, coupled with increasing access to diversified funding pools, enabled a reduction in weighted average cost of borrowing. LTF’s increasing focus on PSL-compliant assets also supported access to relatively lower-cost funding lines, thereby helping preserve spreads despite elevated competitive intensity across certain retail products. We expect NIMs to remain flat over the next couple of years, driven by stable yields. We model NIMs of 9.4% each in FY27/FY28E.

Exhibit 11: Spreads to remain broadly stable, driven by steady yields



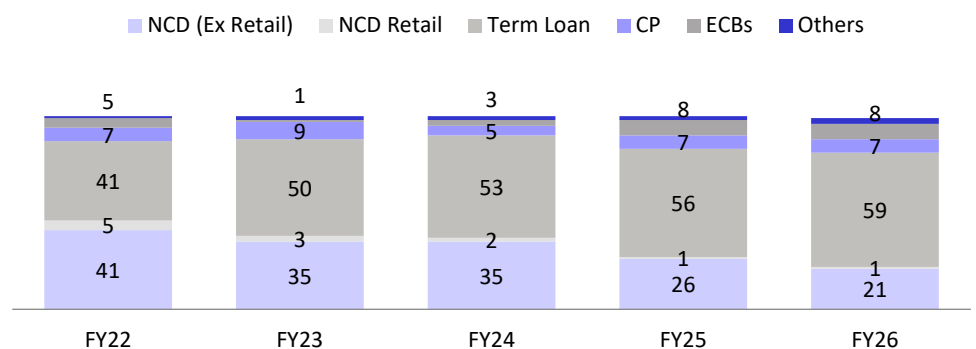
Source: MOFSL, Company

Exhibit 12: NIM expected to remain stable over the next two years



Source: MOFSL, Company

Exhibit 13: Borrowing mix (%)

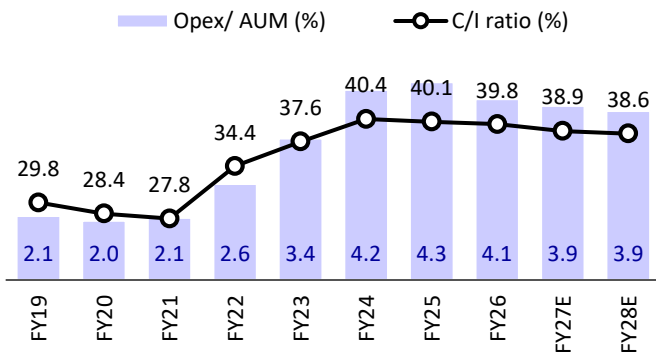


Source: Company, MOFSL

Technology-led operating leverage to drive cost efficiency

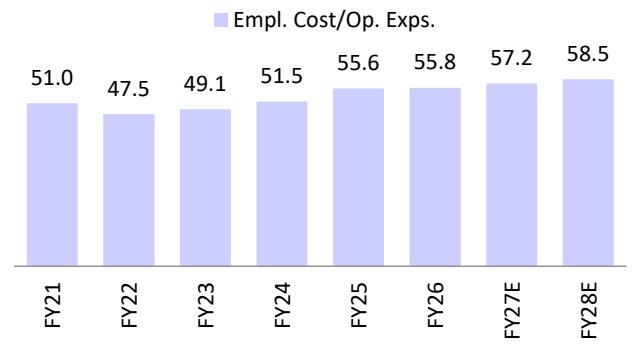
- For LTF, FY26 was marked by elevated investments aimed at developing long-term operating capabilities across technology, customer acquisition, distribution expansion, AI infrastructure, and digital service ecosystems. Despite these investments, management highlighted that the company maintained stable operating efficiency through productivity gains, process automation, and technology-led operating leverage.
- The company undertook aggressive expansion across multiple verticals during the year. Distribution expansion included scaling the Gold Finance branch network from 130 branches at acquisition to over 330 branches within a short span, expansion into new geographies across SME Finance and mortgages, and strengthening sourcing infrastructure across retail businesses. These initiatives naturally resulted in upfront operating expenditure toward branch rollout, employee hiring, technology integration, and customer acquisition.
- At the same time, the company significantly increased investments in proprietary AI and analytics infrastructure. Projects such as Cyclops, Nostradamus, Helios, Orion, KAI, PLANET 3.0, and Partner PLANET required substantial investments toward cloud infrastructure, engineering capabilities, automation systems, cybersecurity architecture, and digital process integration.
- Management, however, emphasized that these investments were consciously front-loaded as part of Lakshya 2026 and are expected to generate meaningful operating leverage benefits over the medium term. The company's strategy remains focused on using technology to eliminate operational chokepoints, reduce manual intervention, improve underwriting efficiency, accelerate turnaround times, and improve workforce productivity.
- Several examples of productivity gains were highlighted during the year. In SME Finance, Project Helios and Project Cyclops materially reduced underwriting turnaround times for self-employed borrowers. Similarly, PLANET and Partner PLANET are increasingly digitizing servicing journeys, dealer engagement, collections workflows, and cross-sell activities, thereby improving productivity across customer-facing functions.
- LTF also continued strengthening its operating model through greater in-house engineering capabilities and modular technology architecture. Management indicated that this shift improves agility, reduces time-to-market for product launches, and enhances control over the technology ecosystem.
- Looking ahead, operating leverage improvement remains a central pillar under Lakshya 2031. Management expects technology-led productivity gains, increasing digital adoption, AI-enabled workflow automation, and scaling benefits from existing infrastructure investments to gradually improve cost efficiency and support stronger profitability metrics over the medium term.

Exhibit 14: Cost ratios to improve, led by better productivity



Source: MOFSL, Company

Exhibit 15: Expect employee costs (as a % of total expenses) to inch up

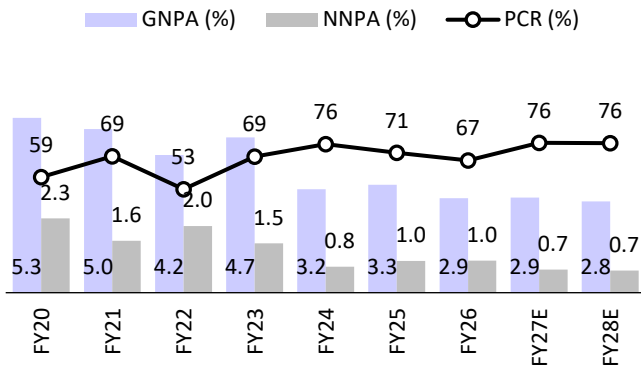


Source: MOFSL, Company

AI-led underwriting driving asset quality resilience

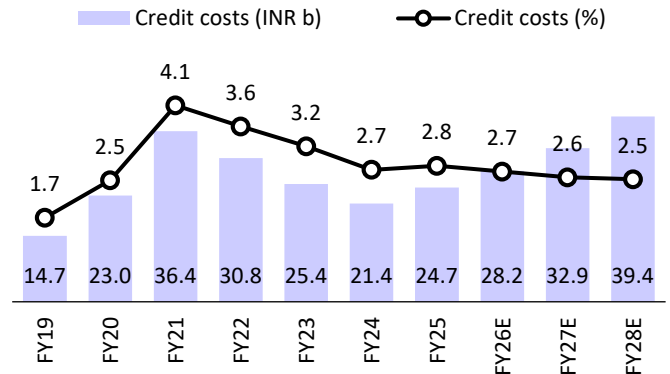
- Despite operating in a volatile credit environment during FY26, particularly within the MFI ecosystem, LTF demonstrated relatively resilient asset quality performance supported by disciplined underwriting, granular customer selection, AI-led portfolio monitoring, and strong collection mechanisms.
- Management highlighted that maintaining stable asset quality through a challenging cycle validates the effectiveness of the company’s “Risk-First” operating philosophy and the increasing integration of AI-based underwriting systems across businesses.
- One of the most important contributors to improving credit quality has been the implementation of Project Cyclops, the company’s proprietary AI-led underwriting engine. The platform is now operational across 2W Finance, Farm Equipment Finance, SME Finance, and Personal Loans. Management highlighted that Cyclops-underwritten portfolios are demonstrating significantly superior performance versus industry benchmarks.
- In the 2W Finance business, for instance, the Project Cyclops portfolio maintained delinquency levels of ~7%, substantially lower than broader industry delinquency trends across banks, NBFCs, and captive financiers. Similarly, the increasing penetration of AI-led underwriting in SME finance and personal loans is helping improve customer segmentation, fraud detection, and risk calibration.
- The company also launched Project Nostradamus, an AI-driven portfolio monitoring and early warning system designed to proactively identify emerging stress indicators. The platform enables dealer-level, pin-code-level, and geo-demographic monitoring along with customer leverage tracking and behavioral analytics. Management expects Nostradamus to materially strengthen portfolio surveillance and reduce future credit volatility.
- Within Rural Business Finance and Microfinance, LTF navigated sector-wide stress relatively well despite broader industry contraction and disruptions arising from the Karnataka Microfinance Ordinance. LTF maintained collection efficiency of 99.8% and a 0-DPD book of 96.4%, supported by stringent sourcing guardrails and disciplined borrower selection. Importantly, management highlighted that 98.5% of customers had fewer than three lenders, while 53% were exclusive to LTF, materially reducing borrower leverage risk.
- The increasing share of secured businesses, including Gold Finance, LAP, Farm Equipment Finance, and Micro LAP, is also expected to improve portfolio resilience over time. Management expects credit costs to gradually moderate as AI-underwritten portfolios continue seasoning and secured asset contributions increase further under Lakshya 2031.

Exhibit 16: Asset quality continues to improve



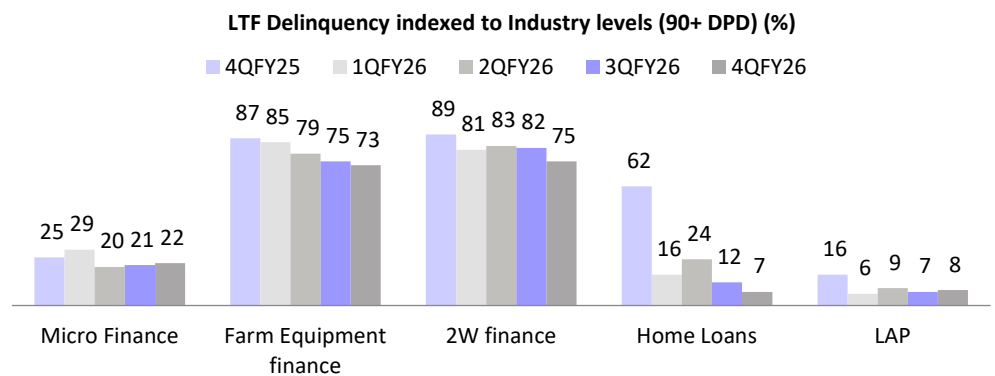
Source: MOFSL, Company

Exhibit 17: Credit costs expected to moderate going forward



Source: MOFSL, Company

Exhibit 18: LTF's delinquency indexed to industry levels (90+ DPD) (%)



Source: Company, MOFSL

AI-led transformation – Building a technology-first lending platform

- As the company enters the next phase of its strategic evolution under Lakshya 2031, management is targeting to reposition the company not merely as a large retail NBFC but as a deeply technology-integrated financial institution driven by artificial intelligence, data intelligence, operational agility, and disciplined risk management. The next strategic cycle reflects a clear shift in priorities.
- While Lakshya 2026 was primarily focused on transforming the balance sheet and retailizing the franchise, Lakshya 2031 is focused on driving sustainable value creation, improving profitability metrics, enhancing productivity, and strengthening long-term competitive positioning.
- The company has articulated a vision of becoming India’s premier AI-enabled retail BFSI institution. Management believes the investments made over the last several years in underwriting systems, digital architecture, cloud infrastructure, customer engagement platforms, analytics, and operating processes have now created a scalable foundation capable of supporting the next leg of growth.
- A major strategic focus under Lakshya 2031 will be building resilient and cycle-tested portfolios with predictable risk behavior across economic cycles. The company intends to maintain strict underwriting discipline while continuing to scale high-growth retail businesses. In parallel, LTF plans to deepen its leadership position across fulcrum businesses, including Joint Liability Group lending, 2W Finance, Farm equipment, gold finance, and personal Loans.
- Another important pillar of Lakshya 2031 is the expansion of AI-led cross-sell and servicing capabilities. With a customer franchise of over 28m customers and increasing penetration of the PLANET ecosystem, management sees substantial

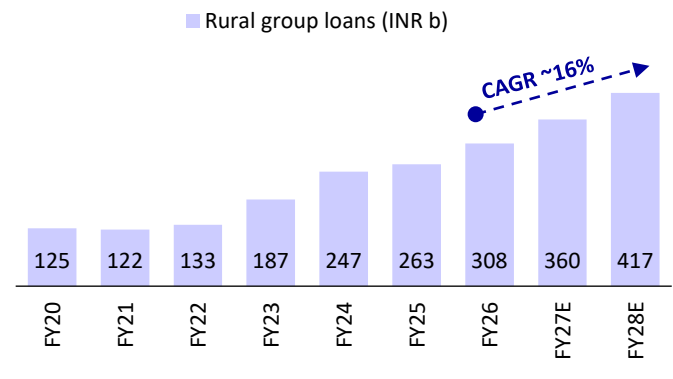
opportunities to improve customer lifetime value through product cross-sell, ecosystem monetization, and deeper customer engagement.

- Operational efficiency and productivity enhancement are also expected to become increasingly important over the next strategic cycle. The company intends to leverage automation, AI-led decision systems, workflow optimization, and technology-enabled process simplification to improve operating leverage and reduce structural inefficiencies.
- Management believes the strong retail franchise, granular distribution network, diversified customer base, AI-enabled operating architecture, and increasing secured asset mix collectively position the company favorably for sustainable long-term growth under Lakshya 2031.

Rural Business Finance (RBF) & Microfinance

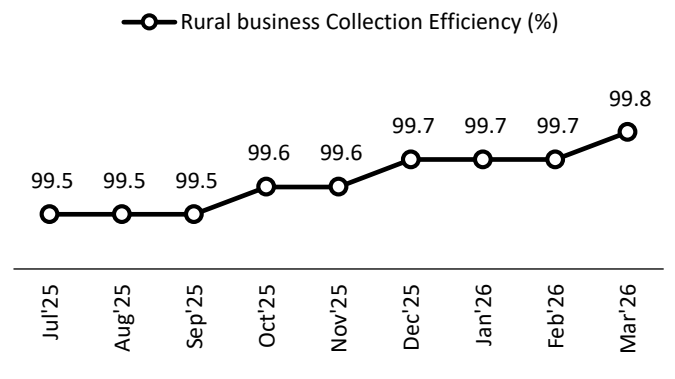
- The RBF vertical, comprising Rural Group Loans (RGL) and Microfinance (MFI), operated through one of the most challenging periods witnessed by the MFI sector in recent years. The industry as a whole saw significant contraction, with the overall portfolio declining from INR3.8t to INR3.2t and the active borrower base reducing from ~89m to ~77m customers amid heightened stress, tighter regulations, and cautious disbursement trends across lenders. Despite these headwinds, the company demonstrated notable resilience, supported by disciplined underwriting, superior customer selection, and strong execution at the field level.
- Annual disbursements for the RBF segment stood at INR259b, reflecting a healthy 24% YoY growth, with business momentum recovering steadily and returning to pre-crisis levels by 2HFY26. The overall RBF portfolio grew 14% YoY to INR294b, significantly outperforming the broader industry, which continued to witness contraction. Collection efficiency improved materially during the year and reached ~99.8% by year-end, while the 0-DPD book stood at an industry-leading ~96.4%, highlighting the improving quality of the portfolio and strong repayment discipline among customers.
- A key differentiator for LTF remained its prudent sourcing framework. ~98.5% of the loan book consisted of borrowers having relationships with fewer than three lenders, while ~53% of customers were exclusive to LTF, reflecting a highly disciplined approach toward customer acquisition and indebtedness management.
- The company also navigated the impact of the Karnataka Micro Loan and Small Loan Ordinance 2025 relatively better than peers, aided by strong field execution, disciplined collections infrastructure, and tighter operational controls. Further strengthening its risk architecture, LTF plans to deploy Project Nostradamus in the RBF segment during 2HFY27 to enhance early warning capabilities, portfolio surveillance, and predictive monitoring across geographies and customer cohorts.

Exhibit 19: Expect rural group loans to clock a CAGR of ~16% over FY26-FY28



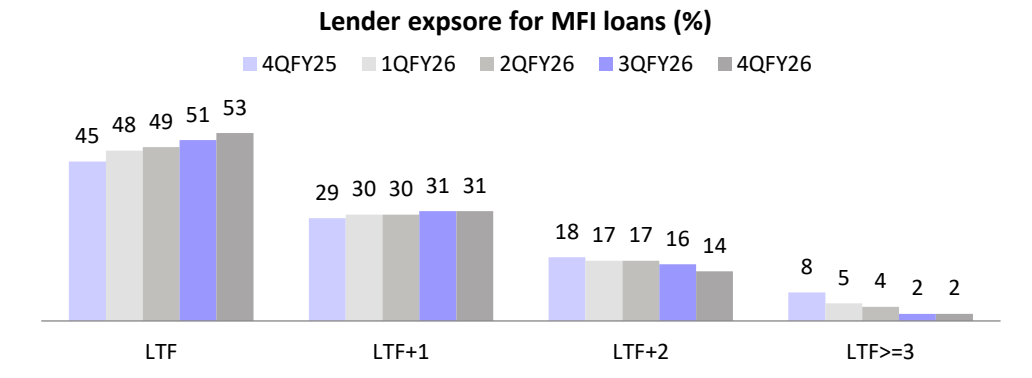
Source: MOFSL, Company

Exhibit 20: Rural business CE continues to improve



Source: MOFSL, Company

Exhibit 21: LTF>=3 customers have continued to decline over the past few quarters

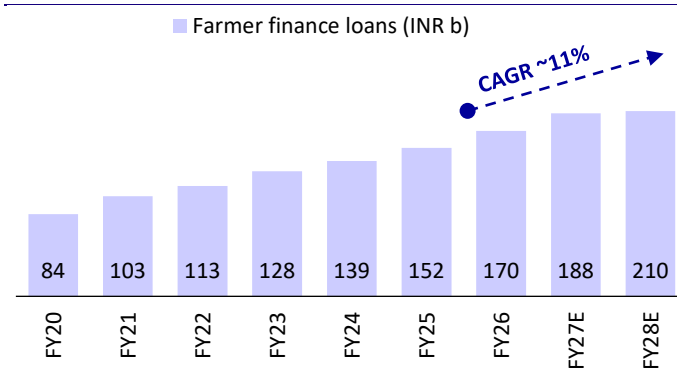


Source: Company, MOFSL

Farmer finance

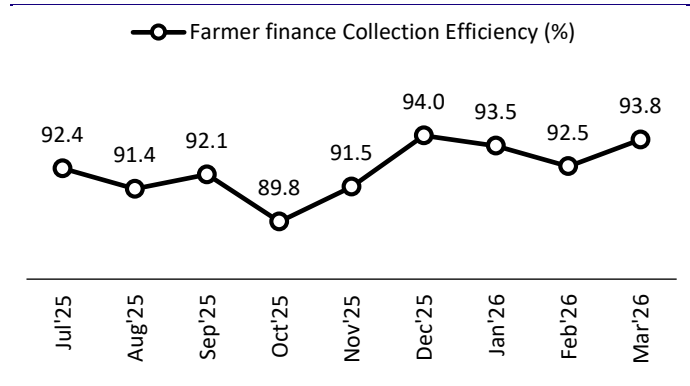
- The Farmer finance business benefited significantly from favorable macroeconomic and policy conditions during FY26. Strong monsoons, healthy Kharif and Rabi crop output, and a sharp reduction in GST on tractors from 18% to 5% materially boosted farm mechanization demand and improved affordability for rural customers. Supported by these tailwinds, the overall tractor industry expanded by ~23% in unit terms, increasing from 940k units to 1.16m units during the year.
- LTF continued to strengthen its positioning in this segment and financed approximately 111k tractor and farm equipment units during FY26 compared to 95k units in FY25. Overall, farmer finance disbursements stood at INR87b, reflecting ~9% YoY growth, while the portfolio expanded ~11% to INR166b.
- Technology-led underwriting and analytics continued to remain central to the company’s strategy. Project Cyclops was fully deployed in the segment and integrates real-time land records, geospatial intelligence, decile-based customer profiling, video-based PD processes, and account aggregator data to strengthen underwriting precision and improve portfolio monitoring.

Exhibit 22: Expect farmer finance to post a CAGR of ~11% over FY26-FY28



Source: MOFSL, Company

Exhibit 23: Farmer finance CE continues to improve



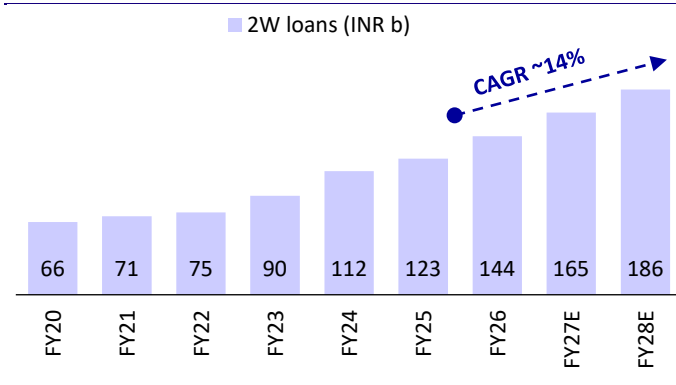
Source: MOFSL, Company

Two-wheeler finance

- The 2W finance business continued to witness strong momentum during FY26, supported by favorable industry trends, festive season demand, and GST-related affordability benefits. Retail two-wheeler sales in India grew 12% YoY to 21m units, while festive season sales during Oct-Nov'25 witnessed 20% YoY growth, creating a supportive environment for lenders.
- Within this backdrop, LTF executed a deliberate strategy to improve portfolio quality through portfolio prime-ification and tighter underwriting. The prime disbursement mix increased sharply and reached 90% by Mar'26, while the prime share in the overall portfolio improved from 54% in FY25 to 76% in FY26.
- Technology transformation remained a key differentiator for the segment. Project Cyclops was deployed across 100% of sourcing channels within the dealer ecosystem, and the Cyclops-underwritten portfolio now constitutes ~76% of the total two-wheeler book. This has resulted in meaningful improvements in portfolio quality, with 0-DPD bounce rates declining by over 6% for the overall portfolio and by more than 12% for the Cyclops-originated book.

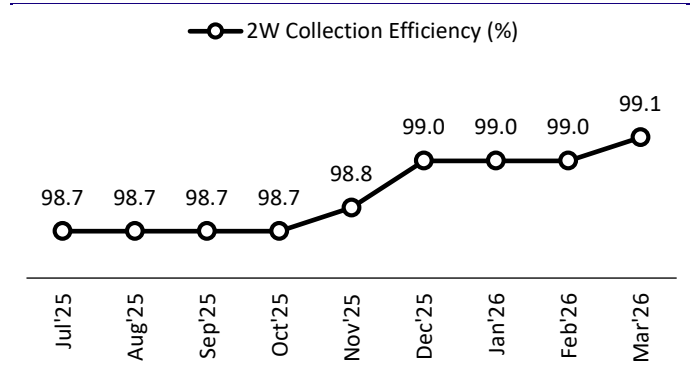
- Further strengthening portfolio monitoring, Project Nostradamus has been implemented at scale in the segment, enabling advanced early warning signals at pin-code, dealer, and model levels.
- The company also launched the Partner PLANET dealer app, which facilitates real-time trade advances, dealer sales management, and improved turnaround times, thereby strengthening dealer engagement and improving market positioning. Importantly, the quality of the Cyclops portfolio compares favorably against industry benchmarks, with delinquency rates of ~7% vs. ~29% for banks, ~41% for NBFCs, and ~20% for captive financiers.

Exhibit 24: Expect 2W loans to clock a CAGR of ~14% over FY26-28



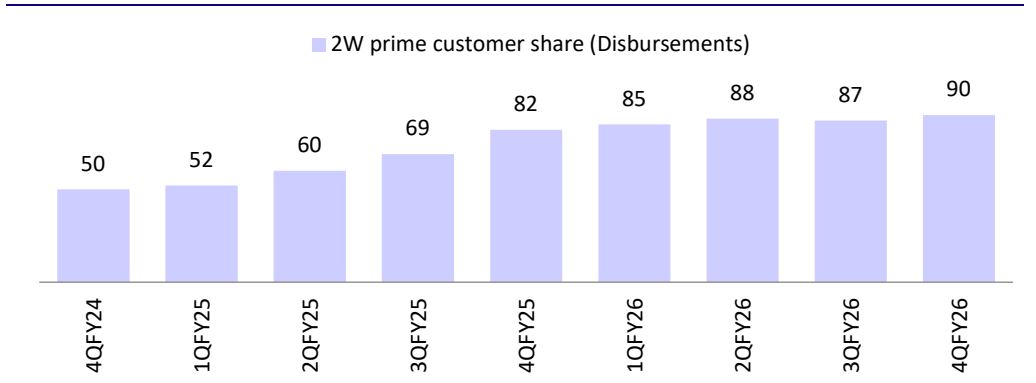
Source: MOFSL, Company

Exhibit 25: 2W collection efficiency has continued to improve over the past few months



Source: MOFSL, Company

Exhibit 26: Disbursements in 2W continue to tilt towards prime customers, indicating a better portfolio quality



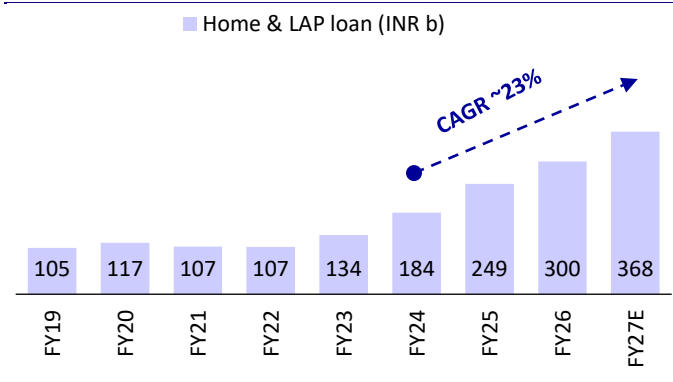
Source: Company, MOFSL

Home Loans & Loan Against Property (Mortgages)

- India's mortgage market crossed the INR58t milestone during FY26 and continued to grow at a healthy pace of ~13% YoY. While industry growth remained skewed towards premium and luxury housing segments, LTF continued to expand its presence in semi-urban geographies and focused on improving its secured mix through higher LAP contribution.
- The company crossed INR115b in disbursements during the year, registering 20% YoY growth, while the overall mortgage book surpassed INR300b. Home loan disbursements stood at INR76b with growth of ~11%, whereas the LAP business witnessed significantly stronger momentum, growing ~44% YoY to INR39b. Consequently, the LAP share in total mortgage disbursements increased to ~34% compared to ~28% in FY25, reflecting the company's strategic focus on improving portfolio mix and enhancing yields.

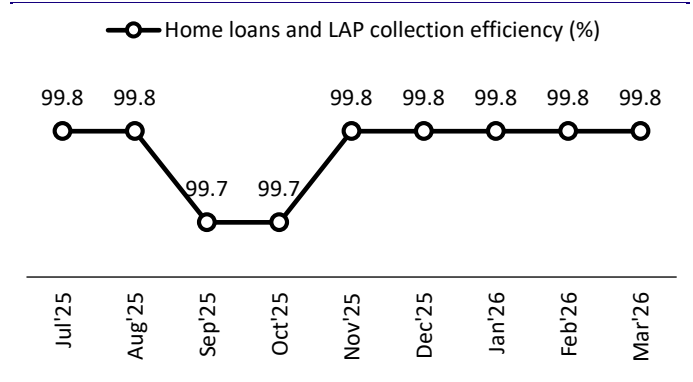
- LTF also continued to scale newer products such as ‘Mortgage Plus’, targeted towards the industrial and business segment, which achieved monthly disbursement levels of INR500m with strong growth visibility ahead. Distribution expansion remained another key focus area, with the company adding 42 main branches and 19 spoke branches during the year to strengthen penetration across semi-urban and emerging markets.

Exhibit 27: Expect mortgage loans to record a CAGR of ~23% over FY26-28



Source: MOFSL, Company

Exhibit 28: Home loans and LAP collection efficiency remain broadly stable

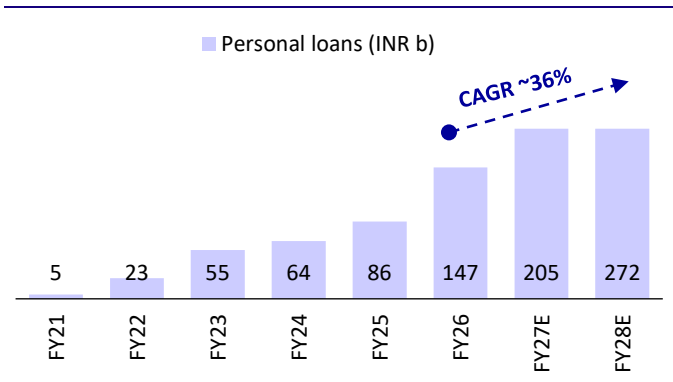


Source: MOFSL, Company

Personal Loans

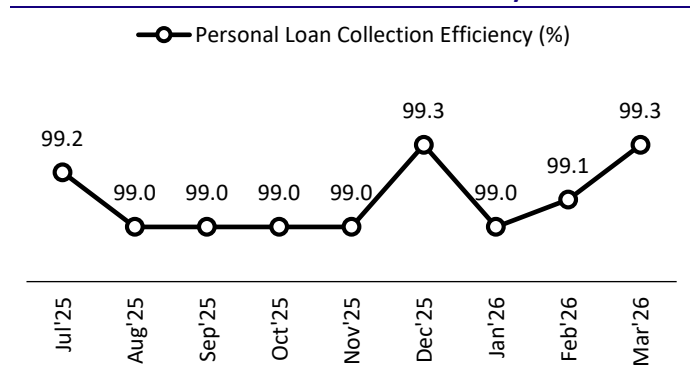
- Personal loans emerged as one of the fastest-growing businesses within LTF’s retail portfolio during FY26, aided by a fully digital origination model, a partnerships-led sourcing strategy, and strong execution across cross-sell and DSA channels. The broader personal loan market in India reached INR15.9t in FY26, growing ~11% YoY, while LTF significantly outpaced industry growth.
- Disbursements in the segment doubled YoY to INR122b, while the loan book crossed INR146b, reflecting ~70% YoY growth. The company’s growth was supported by its technology-led operating architecture, with all originations being fully digital and powered through Project Cyclops, alternate data models, and continuous portfolio monitoring frameworks. The segment also benefited from deeper ecosystem partnerships, increasing cross-sell opportunities, and higher penetration across salaried and self-employed customer cohorts.

Exhibit 29: Expect personal loans to post a CAGR of ~36% over FY26-28



Source: MOFSL, Company

Exhibit 30: Personal loan CE remained healthy in Mar'26

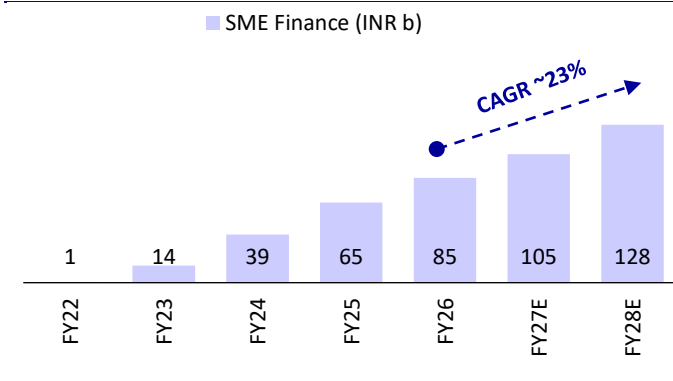


Source: MOFSL, Company

SME Finance

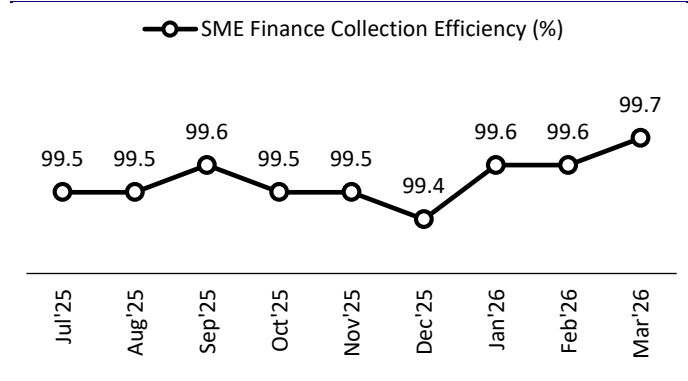
- SME Finance delivered strong and quality-led growth during FY26, with management maintaining a disciplined approach towards underwriting and risk management despite elevated stress in portions of the unsecured MSME ecosystem.
- The on-book customer base increased to more than 49k customers, while the company significantly expanded its distribution footprint by adding over 100 new locations beyond the existing 118 branches, taking the overall network to more than 218 locations. Project Cyclops scorecards were deployed across the segment to improve customer segmentation, strengthen risk assessment, and enhance consistency in credit decision-making.
- LTF also launched Project Helios AI Co-pilot during the year, which materially improved underwriting efficiency and reduced turnaround times. For Self-Employed Professionals, underwriting TAT reduced from 21 hours to 14 hours, while for Self-Employed Non-Professionals, TAT reduced from 37 hours to 25 hours. The company also introduced a new Partially Collateralized Business Loan product, aimed at creating a more balanced risk-return profile and improving capital structuring flexibility. Further, the increase in MSME classification limits under the Union Budget FY25-26 substantially expanded the addressable market opportunity for the company.

Exhibit 31: Expect SME finance to clock a CAGR of ~23% over FY26-28



Source: MOFSL, Company

Exhibit 32: SME finance CE has consistently been strong (%)



Source: MOFSL, Company

Gold Finance: Strategic entry and early momentum

- Gold Finance represented one of the most important strategic initiatives undertaken by LTF during FY26, providing entry into a high-yield, secured, and rapidly expanding retail asset class. The company completed the acquisition of Paul Merchants Finance's gold loan business in Jun'25, which included over 130 branches, 700 employees, and an outstanding loan portfolio of INR13b.
- LTF executed the integration process with notable speed and efficiency, completing both technology and personnel integration within just eight weeks of acquisition. The business has since scaled rapidly, with disbursements of INR67b within 10 months post-acquisition and the portfolio expanding to over INR28b.
- The company also accelerated branch expansion aggressively, increasing the gold loan network from ~130 branches to ~330 branches through the addition of 200 new branches across high-potential markets. Geographic presence expanded across 18 states and union territories, including entry into several

new regions such as Assam, Karnataka, Telangana, Maharashtra, Odisha, West Bengal, Himachal Pradesh, and Rajasthan.

- As part of its broader retail strategy, LTF has started integrating gold loan branches into its Sampoorna multi-product branch network, with ~30 branches already integrated and plans to add over 400 new gold branches in FY27, including more than 100 Sampoorna branches.
- The company also sees significant cross-sell opportunities within its existing rural ecosystem, particularly across RGL/MFI, farm equipment finance, and two-wheeler customers. Leveraging its extensive rural distribution network and 15k+ field employees, LTF aims to build a scalable and diversified gold finance franchise over the medium term.

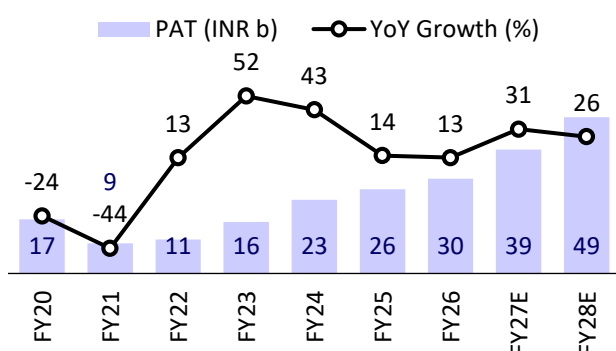
Human Capital: Building a future-ready workforce

- LTF continued to strengthen its human capital framework during FY26 as part of its broader transition towards becoming a technology-led and digitally integrated retail finance institution under its Lakshya 2031 vision.
- Management has increasingly positioned talent, organizational agility, and leadership capability as strategic enablers for the next phase of growth, particularly as the company deepens its investments across AI, analytics, digital underwriting, and technology-driven operating platforms.
- In line with this strategy, the company undertook focused talent acquisition across critical domains such as Artificial Intelligence/Machine Learning (AI/ML), Credit & Risk, data science, and engineering functions. These hires are intended to support the scaling of key digital initiatives, including Project Cyclops, Project Nostradamus, and broader automation-led transformation across underwriting, collections, portfolio monitoring, and customer engagement.
- LTF also continued to focus on improving diversity and inclusion across the organization. Women's representation in the overall workforce increased meaningfully from ~5.4% in FY25 to ~7.4% in FY26, while representation at the Management Committee level stood at ~23.08%, reflecting a conscious effort towards building a more balanced leadership structure.
- The company introduced several employee-centric and women-friendly policies during the year, including pre-maternity travel assistance, crèche reimbursement support, Comfort Days, and up to 52 weeks of flexible work-from-anywhere arrangements, aimed at improving employee well-being, retention, and workplace inclusivity.
- Capability building and continuous learning remained another major focus area during the year. Employees underwent an average of ~48 hours of training during FY26, with ~97% of the workforce receiving skill upgradation training across functional and behavioral areas. In addition, 100% of employees completed mandatory ESG-related training, reflecting the company's emphasis on responsible business practices and governance alignment.
- From an organizational design perspective, the company continued to strengthen its matrix operating structure with greater empowerment at the regional leadership level. This has enhanced accountability, improved execution speed, enabled faster local decision-making, and strengthened responsiveness across geographies and business verticals.
- Management believes this decentralized yet technology-enabled structure will play a key role in supporting scalable growth while maintaining strong governance and execution discipline.

Valuation and View

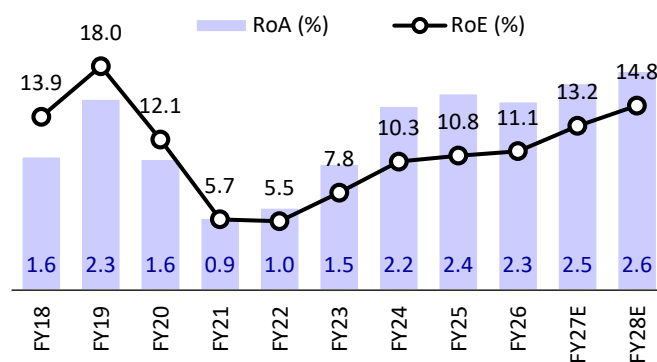
- LTF’s transformation into a granular, technology-led retail financier is now visibly translating into stronger business fundamentals, improving resilience, and scalable growth opportunities. Importantly, LTF has demonstrated relatively superior navigation through the ongoing MFI credit cycle, while simultaneously diversifying into relatively less leveraged and more secured retail segments, thereby strengthening the overall quality and resilience of the franchise.
- With a rapidly expanding retail ecosystem, growing cross-sell capabilities, improving secured product mix, and technology-led operating leverage, we expect LTF to deliver a PAT CAGR of ~28% over FY26-28E, resulting in RoA/RoE of 2.6%/15% by FY28E. **We reiterate our BUY rating on LTF with a TP of INR340, based on 2.4x Mar’28E P/BV.**
- Key risks to our thesis include NIM compression arising from increasing focus on prime customer segments, potential asset quality deterioration in relatively vulnerable retail products such as two-wheeler finance, unsecured business loans, and micro-LAP, and moderation in growth or elevated stress in rural portfolios amid uncertain geopolitical and macroeconomic conditions.

Exhibit 33: Expect a PAT CAGR of ~28% over FY26-28



Source: MOFSL, Company

Exhibit 34: Expect an RoA/RoE of ~2.6%/15% in FY28



Source: MOFSL, Company

DuPont Analysis: RoA tree

	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Interest Income	12.3	12.0	10.8	11.8	12.4	13.1	12.7	13.0	13.1
Interest Expended	7.0	6.6	5.3	5.4	5.1	5.4	5.1	5.2	5.3
Net Interest Income	5.3	5.4	5.5	6.3	7.2	7.8	7.5	7.8	7.8
Other Operating Income	0.8	0.5	0.6	0.3	0.6	1.1	1.0	1.0	1.0
Other Income	0.3	0.6	0.4	0.5	0.5	0.0	0.0	0.0	0.0
Net Income	6.5	6.5	6.4	7.2	8.3	8.9	8.5	8.8	8.8
Operating Expenses	1.8	1.8	2.2	2.7	3.4	3.6	3.4	3.4	3.4
Cost to Income Ratio (%)	28.4	27.8	34.4	37.6	40.4	40.1	39.8	38.9	38.6
Employee Expenses	1.0	0.9	1.1	1.3	1.7	2.0	1.9	2.0	2.0
Other Expenses	0.8	0.9	1.2	1.4	1.6	1.6	1.5	1.5	1.4
Operating Profit	4.6	4.7	4.2	4.5	4.9	5.3	5.1	5.4	5.4
Provisions/write offs	2.1	3.3	2.9	2.4	2.0	2.2	2.1	2.1	1.9
PBT	2.5	1.4	1.4	2.1	2.9	3.1	3.0	3.3	3.5
Tax	0.9	0.5	0.4	0.6	0.7	0.8	0.8	0.8	0.8
Tax Rate (%)	36.6	36.5	28.9	28.9	23.5	24.3	25.4	24.3	24.3
PAT before pref dividend	1.6	0.9	1.0	1.5	2.2	2.4	2.3	2.5	2.6
Leverage	7.7	6.5	5.6	5.1	4.6	4.6	4.9	5.3	5.6
RoE	12.1	5.7	5.5	7.8	10.3	10.8	11.1	13.2	14.8

Financials and Valuation

Income statement								(INR M)	
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	
Interest Income	1,31,049	1,17,042	1,25,651	1,29,139	1,46,633	1,66,160	2,03,981	2,44,705	
Interest Expended	71,999	57,494	57,972	53,772	59,968	67,201	81,852	98,636	
Net Interest Income	59,049	59,548	67,679	75,367	86,665	98,959	1,22,129	1,46,069	
Change (%)	3.0	0.8	13.7	11.4	15.0	14.2	23.4	19.6	
Other Operating Income	5,732	6,053	3,569	6,667	12,610	12,977	15,205	17,694	
Net Operating Income	64,782	65,601	71,248	82,034	99,275	1,11,936	1,37,334	1,63,763	
Change (%)	-1.7	1.3	8.6	15.1	21.0	12.8	22.7	19.2	
Other Income	6,276	3,928	5,268	4,745	167	34	37	41	
Net Income	71,058	69,529	76,515	86,779	99,442	1,11,970	1,37,371	1,63,804	
Change (%)	2.0	-2.2	10.0	13.4	14.6	12.6	22.7	19.2	
Operating Expenses	19,749	23,946	28,732	35,079	39,846	44,529	53,442	63,176	
Operating Profits	51,309	45,582	47,783	51,701	59,597	67,440	83,928	1,00,627	
Change (%)	2.9	-11.2	4.8	8.2	15.3	13.2	24.4	19.9	
Provisions/write offs	36,357	30,833	25,404	21,410	24,684	27,459	32,440	35,780	
PBT	14,952	14,750	22,379	30,290	34,913	39,982	51,488	64,847	
Tax	5,463	4,256	6,464	7,119	8,478	10,153	12,512	15,758	
Tax Rate (%)	36.5	28.9	28.9	23.5	24.3	25.4	24.3	24.3	
PAT before pref dividend	9,489	10,494	15,915	23,171	26,434	29,829	38,977	49,089	
Change (%)	-44.2	10.6	51.7	45.6	14.1	12.8	30.7	25.9	
Preference Dividend	0	0	0	0	0	0	0	0	
PAT to equity shareholders (incl. extraordinary items)	9,489	10,704	16,216	23,171	26,434	29,829	38,977	49,089	
Change (%)	-44	13	52	43	14	13	31	26	
Proposed Dividend	0	1,237	4,959	6,222	6,861	6,887	9,744	12,272	

Balance sheet								(INR M)	
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	
Equity Share Capital	24,695	24,740	24,797	24,889	24,949	25,044	25,044	25,044	
Reserves & Surplus	1,63,038	1,74,737	1,90,487	2,09,495	2,30,692	2,54,791	2,86,881	3,26,226	
Borrowings	8,85,558	8,52,012	8,30,435	7,65,409	9,22,469	10,98,877	13,51,786	16,14,719	
Change (%)	-5.7	-3.8	-2.5	-7.8	20.5	19.1	23.0	19.5	
Other liabilities	16,427	17,533	17,903	27,383	25,984	43,341	45,483	47,732	
Total Liabilities	10,89,717	10,69,022	10,63,621	10,27,176	12,04,094	14,22,053	17,09,194	20,13,721	
Loans	8,70,303	8,24,694	7,51,546	8,13,594	9,37,731	11,78,210	14,16,967	16,94,354	
Change (%)	-4.8	-5.2	-8.9	8.3	15.3	25.6	20.3	19.6	
Investments	88,721	1,19,169	1,43,662	1,23,849	1,18,760	1,05,638	1,10,920	1,16,466	
Change (%)	48.4	34.3	20.6	-13.8	-4.1	-11.0	5.0	5.0	
Net Fixed Assets	11,621	5,306	5,573	5,550	6,860	13,695	14,380	15,099	
Other assets	1,19,071	1,19,852	1,62,841	84,183	1,40,744	1,24,510	1,66,927	1,87,802	
Total Assets	10,89,717	10,69,022	10,63,621	10,27,176	12,04,094	14,22,053	17,09,194	20,13,721	

E: MOFSL Estimates

Financials and Valuation

AUM Mix	(%)							
AUM Details	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Asset Under Management	9,40,140	8,83,400	8,08,930	8,55,640	9,77,620	12,17,290	14,91,544	17,83,531
Change (%)	-4.4	-6.0	-8.4	5.8	14.3	24.5	22.5	19.6
Rural	32.0	39.0	58.5	70.3	70.6	72.4	74.0	73.9
Housing	25.2	24.8	23.7	24.3	26.7	25.4	24.6	25.4
Focused - Wholesale	39.9	34.5	17.0	3.7	1.4	1.0	0.5	0.0
Defocused - Wholesale	2.9	1.7	0.4	0.0	0.0	0.0	0.0	0.0

Ratios	(%)							
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Spreads Analysis (%)								
Avg. Yield on Loans	14.7	13.8	15.9	16.5	16.7	15.7	15.7	15.7
Avg. Cost-Int. Bear. Liab.	7.9	6.6	6.9	6.7	7.1	6.6	6.7	6.7
Loan Spreads	6.8	7.2	9.1	9.8	9.6	9.1	9.0	9.1
NIM on loans	6.6	7.0	8.6	9.6	9.9	9.4	9.4	9.4

Profitability Ratios (%)	(%)							
Int. Expended/Int. Earned	54.9	49.1	46.1	41.6	40.9	40.4	40.1	40.3
Other Inc./Net Income	16.9	14.4	11.5	13.2	12.8	11.6	11.1	10.8
Op. Exps./Net Income	27.8	34.4	37.6	40.4	40.1	39.8	38.9	38.6
Empl. Cost/Op. Exps.	51.0	47.5	49.1	51.5	55.6	55.8	57.2	58.5
Provisions/PPoP (%)	70.9	67.6	53.2	41.4	41.4	40.7	38.7	35.6

Asset Quality (%)	(%)							
Gross NPAs	45,040	35,430	38,320	26,980	32,180	35,110	42,065	48,140
Gross NPAs to Adv.	5.0	4.2	4.7	3.2	3.3	2.9	2.9	2.8
Net NPAs	13,770	16,780	11,780	6,610	9,290	11,480	9,995	11,534
Net NPAs to Adv.	1.6	2.0	1.5	0.8	1.0	1.0	0.7	0.7
PCR (%)	69.4	52.6	69.3	75.5	71.1	67.3	76.2	76.0
ECL/EAD (%)								

Return Ratios and Capitalisation (%)	(%)							
RoE	5.7	5.5	7.8	10.3	10.8	11.1	13.2	14.8
RoA	0.9	1.0	1.5	2.2	2.4	2.3	2.5	2.6
Debt to Equity (x)	4.7	4.3	3.9	3.3	3.6	3.9	4.3	4.6
Average Assets/Equity (x)	6.5	5.6	5.1	4.6	4.6	4.9	5.3	5.6

VALUATION	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Book Value (INR)	76.0	80.6	86.8	94.2	102.5	111.7	124.6	140.3
Price-BV (x)	3.7	3.5	3.2	3.0	2.7	2.5	2.2	2.0
EPS (INR)	3.8	4.3	6.5	9.3	10.6	11.9	15.6	19.6
EPS Growth YoY	-54.7	12.6	51.2	42.4	13.8	12.4	30.7	25.9
Price-Earnings (x)	72.6	64.5	42.7	30.0	26.3	23.4	17.9	14.2
Dividend per share (INR)	0.0	0.5	2.0	2.5	2.8	2.8	3.9	4.9
Dividend yield (%)	0.0	0.2	0.7	0.9	1.0	1.0	1.4	1.8

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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