L&T Finance

January 27, 2026

National Stock Exchange of India Limited
Exchange Plaza,
Plot No. C/1, G Block,
Bandra - Kurla Complex, Bandra (East),
Mumbai - 400 051.

Symbol: LTF

BSE Limited
Corporate Relations Department,
1st Floor, New Trading Ring,
P. J. Towers, Dalal Street,
Mumbai - 400 001.

Security Code No.: 533519

Kind Attn: Head – Listing Department / Dept of Corporate Communications

Sub: Transcript of Investor(s) / Analyst(s) meet – Q3FY2025-26 Financial Performance and Strategy Update

Dear Sir / Madam,

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the investor(s) / analyst(s) meet for Q3FY2025-26 financial performance and strategy update held on January 19, 2026.

The above information is also available on the website of the Company i.e., www.ltfinance.com/investors.

We request you to take the aforesaid on records.

Thanking you,

Yours faithfully,

For **L&T Finance Limited**
(formerly known as L&T Finance Holdings Limited)

Apurva Neeraj Rathod
Digitally signed by Apurva Neeraj Rathod
Date: 2026.01.27 17:09:39 +05'30'

Apurva Rathod
Company Secretary and Compliance Officer

Encl: As above

L&T Finance Limited
(formerly known as L&T Finance Holdings Limited)
Registered Office
Brindavan, Plot No. 177, C.S.T Road
Kalina, Santacruz (East)
Mumbai 400 098, Maharashtra, India
CIN: L67120MH2008PLC181833

T +91 22 6212 5000 / 5555
F +91 22 6621 7509
E igrc@ltfs.com

WWW.LTFINANCE.COM

L&T Finance Ltd.

Q3 FY26 Earnings Call Transcript

January 19, 2026

Management Personnel:

Mr. Sudipta Roy (Managing Director & Chief Executive Officer)

Mr. Sachinn Joshi (Chief Financial Officer)

Mr. Raju Dodti (Chief Operating Officer)

Mr. Karthik Narayanan (Head – Investor Relations)

Moderator:

Ladies and gentlemen, good day, and welcome to L&T Finance Limited Q3FY26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing '*' then '0' on your touch-tone phone. Please note that this conference is being recorded. We have with us today Mr. Sudipta Roy, Managing Director and CEO; Mr. Sachinn Joshi, CFO; and Mr. Raju Dodti, COO; and other members of the senior management team.

Before we proceed, as a standard disclaimer, no unpublished price-sensitive information will be shared during the call. Only publicly available documents will be referred to for discussions during interactions in the call. While all efforts would be made to ensure that no unpublished price-sensitive information will be shared, in case of any inadvertent disclosure, the same would, in any case, form part of the recording of the call. Further, some of the statements made on today's call may be forward-looking in nature. A note to this effect is provided in the Q3 results presentation uploaded.

I would now like to invite Mr. Sudipta Roy to share his thoughts on the Company's performance and the strategy of the Company going forward. Thank you, and over to you, Sir.

Sudipta Roy:

Thank you. A very good morning, everyone, and thank you for joining us today. I would like to wish you all a very happy and prosperous New year on behalf of the entire leadership team at L&T Finance. Joining me today on the call are – our CFO, Mr. Sachinn Joshi, our COO, Mr. Raju Dodti and other members of the senior management team of L&T Finance.

Similar to our previous calls, today's call is divided into two sections, taken up sequentially by myself followed by our CFO – Mr. Sachinn Joshi, who will be talking about the overall business metrics & financial performance.

Our last interaction during the Investor Digital Day on the 6th of November 2025 was well received wherein we outlined in detail our business and technology transformation roadmap for the next few years. We also had a chance to share with you the headline business updates. In today's call, we will focus on the performance update of Q3FY26 alongside sharing our outlook for the rest of the year. At the outset, I am happy to state that our core retail franchise continues to be resilient, and we are confident that the momentum we have created for the business during recent quarters will sustain through the remainder of the fiscal year and would continue in FY27.

Post our opening commentary, we will be happy to take questions on the call.

Macro-economic outlook

Before we delve into the highlights of the quarter, I would like to give you some flavour of the current macro-economic scenario and sectoral outlook.

Global uncertainties persist at highly elevated levels. The Indian economy, though not fully immune to the external headwinds, has demonstrated remarkable resilience on back of coordinated fiscal, monetary and regulatory policies and bolstered by strong domestic demand. Real GDP registered a strong growth of 8.2% in the second quarter of FY26. NSO's first advance estimates project that India is set to deliver a 7.4% YoY growth of Real GDP in FY26, fuelled by robust private consumption and capital investments.

The growth in private consumption is being sustained by robust rural demand and easing inflationary pressures. Headline inflation has remained below RBI's lower tolerance level for four consecutive months and is projected to remain benign well into FY27.

Overall demand condition has remained robust, building up on the festival season pick-up. First advance estimates for Kharif 2025-26, project a record foodgrain production. Mandi arrivals started late due to delayed monsoon and harvest cycle and lower crop prices. However, it is catching up fast in last 3 weeks, as government agencies have begun direct procurement at various APMC mandis. Rabi sowing is near complete as well and stands 2.8% higher on year till date. These bode well for rural cash flows.

Urban consumption demonstrated strong acceleration in Q3FY26 owing to the GST 2.0 reforms and supply side de-bottlenecking was able to cater to the increased demand. As food inflation remains benign and consumption indicators remain robust we are confident that the growth momentum of the Indian economy will sustain well into FY27.

Q3FY26 Highlights:

To start off this quarter's highlights, I am pleased to inform you that we have achieved the highest ever quarterly core PAT of ₹ 760 Cr, up by 21% YoY, before a one-time exceptional impact of the New Labour Code amounting to ₹ 29 Cr. PAT even after the one-time impact stood at a highest ever ₹ 739 Cr, up by 18%YoY. This profitability has been recorded on the back of highest ever quarterly retail disbursements of ₹ 22,701 Cr, up 49% YoY. This has led to the retail book growing to ₹ 1,11,990 Cr at the end of this quarter, reflecting a growth of 21% YoY and a RoA of 2.37%, 2.31% for Q3FY26 after the impact of exceptional items, reflecting a growth of 10 bps YoY.

This quarter showed a strong growth in total income up 18% on YoY basis and 8.4% on QoQ basis and a stable operating cost trajectory which increased only 7% on YoY basis, including the one-time Labour Code impact, leading to a PPOP growth of 25%. This was aided by a 19 bps sequential improvement in the Net Interest Margins + Fees at 10.41% driven by a continuous focus on yield and fee improvement and efficient liability management strategy. We are pleased to share that in line with our guidance, we have not used any macro-prudential provisions during this quarter indicating the return of our Rural Business Finance (RBF) vertical to a near normal credit cost trajectory. The positive dividends from the early implementation of Project Cyclops in Two-Wheeler, SME, and Farm business continue to accrue well and will show up in meaningful reduction in credit costs through FY27. The credit cost this quarter has moderated from 2.98%, before macro-prudential provision utilization, in Q2FY26 to 2.83% in Q3FY26, a reduction of 15 bps QoQ and 8 bps YoY. It is to be noted that this includes a one-time charge of ₹ 23 Cr on certain co-borrower provisions. Excluding this one-time impact the core credit cost from operations came in at 2.74%, a 24 bps reduction on QoQ basis. Our core credit cost in the prior three quarters has been 3.80%, 3.43%, and 2.98% respectively followed by 2.74% this quarter. This trajectory of paring of credit cost will culminate in the achievement of the guided 2-2.2% corridor by Q4FY27.

In my previous call, I had mentioned that the microfinance sector has shown green shoots of recovery this quarter and I am pleased to inform you that we have seen sustained resilience and uptick in both disbursement volumes and collection efficiencies in our microfinance portfolio. The quarter saw a 38 bps improvement in Karnataka monthly collection efficiency, which increased from 99.18% in September'25 to 99.56% in December'25. The pan India '0 DPD' collection efficiency improved 20 bps to 99.70% from 99.50% during the previous quarter. And the abatement of this specific event risk has resulted in NIL utilisation of macro-prudential provisions during the period. Please refer to slide 34 of the Investor Presentation for a detailed flavour of the RBF business.

I would now like to share an update on the newly acquired Gold Loan business, which has gained significant momentum with quarterly disbursements of ₹ 1,408 Cr, up 43% QoQ. We continue to expand our geographical footprints and have added 64 new Gold Loan branches this quarter focused on areas with high cross-sell potential. By the end of FY26, we plan on establishing a distribution strength of 330+ gold loan branches.

In line with our earlier guidance Project Cyclops is now implemented in our Personal Loan business and will complete a full roll-out by end of Q4FY26. The engine continues to perform exceedingly well in our Two-Wheeler business and is exhibiting the first green shoots in the Farm and the SME business. The Net Non-Starter (NNS) for the Two-Wheeler portfolio went down from 2.36% in Dec'24 to 0.41% in Dec'25 and in the Farm business the NNS reduced from ~1.50% in Dec'24 to ~0.4% (Project Cyclops) in Dec'25. We are confident that as disbursements through this engine scales up across businesses, our portfolio quality will get enhanced with lower bounce rates and nonstarters, leading to lower roll forwards and thereby reducing the overall cost of credit administration for the organisation.

Our next digital initiative, Project Nostradamus, an industry first AI driven automated real time portfolio management engine went live in beta mode in Two-Wheeler Finance in August'25. The engine has started delivering real-time, actionable insights for proactive portfolio management to monitor performance down to an individual micro-market cluster. We also initiated two primary AI initiatives: Project Helios and Project Orion. Project Helios serves as an Agentic AI platform that enables underwriters to make faster, consistent, and accurate decisions. This has already processed 5,000+ cases, resulting in a 30% reduction in turnaround time and saving 1.5 hours per case in our SME business. This will slowly be extended to all lines of business. Project Orion is a conversational Project Nostradamus co-pilot designed for automated portfolio monitoring, allowing credit teams to query complex delinquency and vintage data in real-time which is currently live in the Two-Wheeler business.

I would like to add that adherence to the RBI's guidance regarding provisioning for co-borrower exposures has contributed to an increase in Provision Coverage Ratio (PCR) this quarter from 70% in Q2FY26 to 72% in Q3FY26.

Update on Lakshya 2026 Goals

Now, I would like to share an update on our quarterly performance against the Lakshya 2026 goals:

- The first milestone was to achieve Retailisation of >95% by FY26. We achieved a Retailisation of 98% in Q1FY26 which has remained at the same level in Q3FY26.
- The second milestone of Retail book growth, we had set ourselves a Retail book growth target of 25% CAGR against which we have achieved a CAGR growth of 28% between FY22 to FY25.
- The third milestone, which is on the Asset Quality front, we maintained the Retail GS3 & NS3 levels closer to the threshold levels, GS3<3% and NS3<1%, our Consol GS3 and NS3 stood at 3.19% and 0.92% respectively.
- On the fourth and last milestone of RoA, we achieved an RoA of 2.31% in Q3FY26, this includes a one-time exceptional item impact of the New Labour Code of ₹ 29 Cr, and RoA before exceptional items is 2.37%, which has been achieved without the use of any macro-prudential provisions. I would like to reiterate that we continue to work towards achieving our Lakshya 2026 target of 2.8%-3.0% RoA in Q4FY27.

Double Click on the 5 pillars of execution

As mentioned earlier, I would now like to give a brief update on the 5 pillars of execution that we had enumerated in October 2023 and continue to be in implementation mode against the same.

1. **Customer Acquisition -** The focus continues to be on expanding our customer base, both by deepening our reach in existing segments and broadening our geographical and digital footprint through partnerships. The implementation of GST 2.0, coupled with a favourable monsoon, served as a catalyst for robust festive demand this quarter. Leveraging these tailwinds, we successfully onboarded 7.0 lakh new customers up from 5.9 lakh last quarter. For a deeper dive into our acquisition metrics and repeat customer share, please refer to slides 14 and 15 of our Investor Presentation.
2. **Sharpening Credit Underwriting -** We have given extensive details on the design and performance of our new age underwriting tools in our Investor Digital Day deck on slide 6 to 7 and our focus remains on implementing Project Cyclops in our Mortgage and Rural Business Finance verticals in FY27. The model risk management framework and team have been significantly boosted to guard against any unforeseen pocket of execution risk arising from the plethora of machine and deep learning models running across our state-of-the-art AI based credit tools.

3. **Futuristic Digital Architecture -** We continue to work on upgrading our technical capabilities and our focus on continuously strengthening our IT framework remains unabated. I have already spoken about Project Cyclops and Project Nostradamus. Full stack Project Nostradamus implementation will be completed in the Two-Wheeler business by March 2026 and will be implemented in Personal Loan and Rural Business Finance vertical in H1FY27. Under the PLANET 3.0 initiative, the company has achieved significant digital penetration with over 2.2 Cr app downloads, which now features a multi-lingual conversational voice agent for real-time loan servicing. This quarter we also launched Partner PLANET mobile app with a complete service suite for our dealer partners. To strengthen the cross-sell engine a new digital tool called Loan Offer Pod was operationalised in Q3FY26 and would be scaled up in the coming quarters. These operational efficiencies are further bolstered by KAI Voice & Chat, an agentic AI solution currently handling automated collection calls in 11 languages across multiple lines of business. Please refer to slides 59 & 60 in the Investor Presentation for operating metrics on the app.
4. **Brand Visibility -** We continue to focus on targeted customer engagement, leveraging our brand ambassador, Jasprit Bumrah. During the quarter, we also ran campaigns for our Two-Wheeler and Farmer Finance businesses, while participating in major agricultural expos in Gujarat and Indore.
   We successfully concluded the second edition of our flagship BFSI-AI event 'RAISE' which attracted 4,500 attendees and 40 speakers. A key highlight of the event was the launch of Pitch Point, an AI startup pitch platform to cultivate the fintech AI entrepreneur ecosystem.
5. **Capability Building -** On capability front, to strengthen our presence and to be a pan-India player we are expanding our Gold Loan branches to over 330 new branches in FY26. Central to this strategy is the integration of some Gold Finance branches into the multi-product 'Sampoorna' branch network, where we inaugurated our first Sampoorna branch in Ujjain, thereby creating a more comprehensive service ecosystem for our customers. Till date out of the new gold loan branches, 11 are in the Sampoorna branch format.

I will now request Mr. Sachinn Joshi, our CFO, to take you through the financial updates.

Financial updates

Sachinn Joshi:

Thank You, Sudipta. As always, I will be walking you through the financial performance of the company for the quarter.

Quarterly Performance:

- Consol NIMs + Fees for the quarter improves 19 bps QoQ to 10.41% from 10.22% in Q2FY26. This has been contributed by stable yields & cost of borrowings reduction due to Treasury efficiencies which resulted in the lowest ever Weighted Average Cost of Borrowing (WACB) at 7.25%
- Consol PAT after one-time exceptional item for the quarter is at ₹ 739 Cr, this is up 18% YoY
- Quarterly Retail disbursements stood at ₹ 22,701 Cr, this is up 49% YoY and 20% QoQ
- Retail book stands at ₹ 1,11,990 Cr, up 21% YoY and 7% QoQ. Our Consol book stands at ₹ 1,14,285 Cr, up 20% YoY and 7% QoQ
- Consol RoA after one-time exceptional item stands at 2.31%, up 4 bps YoY and down 10 bps QoQ
- Consol RoE at 11.07%, up 86 bps YoY and down 26 bps QoQ

Retail Businesses:

Talking about overall businesses, let me start with Rural Business Finance.

Rural Business Finance

This business registered quarterly disbursements of ₹ 6,740 Cr, delivering a strong momentum with a growth of 47% YoY and 7% QoQ. This growth was driven by improved collection efficiency and sectoral trends. The book size in turn reached ₹ 28,976 Cr, up 10% YoY and 6% QoQ respectively in the third quarter.

Farmer Finance
In the Farmer Finance vertical, quarterly disbursements stood at ₹ 2,783 Cr in third quarter, up 12% YoY and 68% QoQ. The book size reached ₹ 16,671 Cr, reflecting a growth rate of 11% YoY and 5% QoQ. GST 2.0 along with favourable monsoon fuelled robust festive demand. This resulted in all-time high disbursements for Farmer Finance.

Urban Finance
The segment comprises Two-Wheeler Finance, Personal Loans and Home Loans & LAP.

- **Two-Wheeler Finance:** The Two-Wheeler business registered quarterly disbursements of ₹ 3,217 Cr in the quarter, up 33% YoY and 28% QoQ. GST 2.0 & robust festival demand resulted in all-time high disbursements. Notably, 87%+ of Two-Wheeler disbursements in Dec'25 were to customers from the Prime segment as against 53% for the month of March'24. This reflects our focus on quality growth and risk-adjusted returns. The book size reached ₹ 13,913 Cr, an increase of 10% YoY and 7% QoQ.

- **Personal Loans:** In the Personal Loans business, we achieved a quarterly disbursement of ₹ 3,574 Cr. This translated into a growth of 118% YoY and 23% QoQ with the book size reaching ₹ 12,810 Cr, an increase of 64% YoY and 18% QoQ, attributed to the successful scale-up of big tech partnerships.

- **Home Loans & LAP:** Moving on to Housing, we achieved quarterly disbursements of ₹ 2,879 Cr, up 16% YoY and a growth of 6% QoQ, with the book size at ₹ 28,682 Cr, an increase of 22% YoY and 5% QoQ. Growth in the segment was supported by new partnerships and a strong network of distribution channels.

- **SME Finance:** In the SME business, quarterly disbursements stood at ₹ 1,550 Cr, up 24% YoY and 6% QoQ. The book stood at ₹ 7,946 Cr, up 37% YoY and 6% QoQ.

- **Gold Finance**

  In the Gold Loan business, quarterly disbursements stood at ₹ 1,408 Cr up by 43% QoQ and the closing book stood at ₹ 1,738 Cr at the end of third quarter, up by 18% QoQ.

Let me now hand over the call back to Sudipta to make his closing statements.

Sudipta Roy:

Thank you Sachinn. In closing, I would like to state that Q3FY26 was a robust quarter driven by macro-tailwinds and I expect the structural momentum to continue into Q4FY26. The normalisation of the RBF business augurs well for our business momentum and we expect to make gains in the same. All our businesses have been primed for execution over the last couple of quarters and we can expect the positive outcomes to continue through FY27. Our asset quality will continue to improve through FY27 as Project Cyclops underwritten portfolios take centre-stage and their share continues to increase. The improved business momentum, reduced credit costs, and continuous focus on operating efficiencies should lead to a continuous improvement in RoA and improving RoE trajectory as the leverage increases.

We thank you for your support throughout our transformation journey thus far and look forward to continuation of the same. The floor is now open to questions.

Moderator:

Thank you. We take the first question from the line of Praful Kumar from Dymon Asia. Since there is no response, we will move on to the next question, which is from the line of Mahrukh Adajania from Nuvama Wealth Management.

Mahrukh Adajania:

I just have a couple of questions. Firstly, on credit cost. So, you have explained that the incremental portfolio is doing well, and you've given detailed explanation on the credit cost. But your annual reset would happen every year in the fourth quarter. So how would it pan out in FY27 fourth quarter? I mean what will be the pull and push factors because there will be a reset even then next year? So that's my key question.

Sachinn Joshi:

Yes. Thanks, Mahrukh. Sachinn here. Let me take this question. So yes, you are right. Every year, end of the year, in fourth quarter, we do the -- we revisit the ECL models. And if I recall, you mentioned how will it pan out in FY27 Q4, right?

Mahrukh Adajania:

Yes.

Sachinn Joshi:

So, FY27 Q4, we believe will be a much better revisit. We are, in fact, waiting for that day and that quarter because by then, most of our book would have been seasoned through the -- using the Cyclops underwriting tool, which would mean that directionally, the overall models would start taking into account the benefit flowing through slowing down of slippages, which are quite evident. If you look at the slippages between first and the second quarter, the slippages were lower by about ₹ 160 Cr. Between Q2 and Q3, the slippages have come down further by about ₹ 190 Cr to ₹ 200 Cr.

So clearly, it's evident that as more and more newer portfolio is getting created using Cyclops, the flow forward has been slowing down. And it's not just Cyclops. There are lots of other tweaks done to the -- to various underwriting models, which have -- which are now leading to improvements being seen across, whether it's Two-Wheeler, whether it's Farm, Personal Loans.

And on the Rural Business Finance, although Cyclops is not yet implemented, we have already showcased to the world how we have been better than the other industry players. So, we believe that come Q4FY27, we will be in a far more comfortable position compared to where we are today. I hope I've answered your question.

Mahrukh Adajania:

Yes. That's good enough. Thanks a lot

Moderator:

We take the next question from the line of Kunal Shah from Citigroup.

Kunal Shah:

So again, getting on to the credit cost trajectory, given that MFI collection efficiency has improved, plus when you look at it in terms of Two-Wheeler as well as Farm Equipment, the non starter rate has also improved from, say, compared to that of September. But still in terms of credit cost, maybe it was like 15-odd bps and even adjusting for that 25 bps. So, was it equally satisfactory from your end? And would this be the run rate of improvement? Or there was anything specific during the quarter and the run rate of improvement should actually accelerate from here on to get towards your guidance of 2, 2.2-odd percent by Q4 of FY27?

Sudipta Roy:

Thanks, Kunal, for the question. So, if you see -- and then I'd like to point out the overall credit cost trajectory for the last 3 quarters, right. So, at the peak of the microfinance crisis, we're actually -- and these numbers are without factoring in the macros, right. At peak, we had gone up to 3.83% -- 3.8%.

From 3.8%, we came down to 3.43%, right. From 3.43%, we came down to 2.98%. Now obviously, in unsecured, especially when the pool which is there, which is the unsecured pool, the speed at which it goes up when -- and it flows quickly. So, when you see an improving trajectory, normally, the pace of improvement will be the first -- very rapid in the first few quarters as the portfolio normalizes, and then the slope will slowly tend to flatten out, right. And so that is what you see.

If I take away that ₹ 23 Cr one-time impact that we have got because of the co-borrower prudential provision that we have taken this quarter, the degrowth is around a 25 bps de-growth, right, in credit cost. So, if you see directionally, the trajectory of paring of credit cost remains unabated. Now for example, next quarter and over the next couple of quarters, right, we will see improvements. And we are very, very confident.

See, when we guide to 2% to 2.2%, see our net nonstarters -- as I said, net nonstarter in Two-Wheeler is down to ~40 bps levels. Net nonstarter in Farm is down to ~40 bps level (Cyclops). Sachinn spoke about the slippages coming down, right. The slippages -- the gross slippages this quarter between last quarter is lower by almost ₹ 200 Cr, right.

So, the slippages also have been coming down with every passing quarter. So, I do believe that the credit cost trajectory will continue to improve. Now some quarter, it might be a significant improvement. Some quarter; it might be a less than significant improvement because this also depends upon the collection efficiencies in that particular quarter and the efficacy of the entire -- how the collections team have been able to do it during that quarter.

So, the only thing is that credit cost, if your expectation is that the credit cost will actually move in a metronomic regularity in a straight-line fashion, that, sometimes in real life does not happen, right. So -- but what we are very, very confident is that 2% to 2.2%, reaching that 2% to 2.2% guided trajectory by Q4FY27, right. If the tailwinds are with us, we might reach it before even -- before Q4FY27 also, right. But the fact is that on a conservative basis, I would like to say that we are very, very confident of reaching the trajectory by Q4FY27.

Kunal Shah:

Yes, just on the same one. I just wanted to check why this ₹ 23 Cr is a onetime given that the co-borrower exposure prudent provisioning would be business as usual every quarter.

Sudipta Roy:

This is a little different from that. Sachinn, you would like to say?

Kunal Shah:

And what is the nature, yes, if you can just highlight that, yes.

Sachinn Joshi:

Yes. So, Kunal, the co-borrower piece, at industry level, there were different ways of either taking it into account or not. The example I can give you is that if there is a husband and wife who have taken exposure in one particular business, the wife has taken exposure to another business loan completely different. And that loan was standard.

We did not consider that because that was a co-borrower taking a fresh loan. Those loans were -- because they were standard, were continued to be shown as standard and hence, the provisioning was as per the normal Stage 1 provision. And this quarter, post our RBI interaction at the time of inspection, we were advised that we should take into account all such accounts as well.

So, the cumulative effect of this has been about ₹ 23-odd Cr. And because it's cumulative, going forward on a QoQ basis, these will be very minimal. I mean you can also understand that these are all Retail loans. So, the overall impact will be very minimal and which will get subsumed within the normal costs that we take into account.

Moderator:

We take the next question from the line of Praful Kumar from Dymon Asia.

Praful Kumar:

Sir, many congratulations on a great transformation and turnaround. Just a couple of questions. One, very strong delivery on NIM and Fees. And as a structurally lower credit cost regime starts to play out, do you think that there is a trade-off between NIM and Fees and credit cost as a business model?

Sudipta Roy:

Thanks, Praful, for the question. I'll go back to what I had said during our analyst call that we are a risk-first, tech-first diversified financial services player. So obviously, many of our decisions on customer segment choices have been driven by this tech-first philosophy -- risk-first philosophy.

Having said that, we are also very, very cognizant of the fact that we need to balance our NIMs and Fees and give a predictability to our NIMs and Fees trajectory. And that is why our continuous guidance has been that we will put the NIMs and Fees -- we will try to deliver the NIMs and Fees in the corridor of 10% to 10.5%.

Now you can see that there has been an improvement of NIMs and Fees by about 18 bps this quarter, which is primarily driven by 2 things. First thing, our core lending businesses have improved their NIMs and Fees trajectory, primarily because the Rural Business Finance vertical has seen a resurgence after sort of resolution of the microfinance industry issues. Plus, also all our businesses have been pushing their yields northwards.

Also, because the flows have been lower, the NPA reversals that we normally get, right, which is sort of a negative drag on the NIMs and Fees, also has been lower this quarter, right, which also looks -- shows the improving resilience of our book. And last but not the least, on a QoQ basis, there has been a 7 bps improvement in our funding costs, right.

So -- and we do believe that the full transmission of the current round of rate cut has still not even been transferred. So there remains a possibility of some more rate transmission this particular quarter, right.

So, given the fact that the businesses are on a sort of upward trajectory across most of our lines of businesses, we are very hopeful that we should be able to maintain the trajectory that we have sort of been on this particular quarter. And I'm hopeful that it should be able to sustain over the next couple of quarters. However, in terms of guidance, our guidance is that we will maintain it between the corridor of 10% to 10.5%.

Moderator:

Praful, I would advise to please rejoin the question queue for a follow-up question. We take the next question from the line of Kaitav Shah from Anand Rathi.

Kaitav Shah:

Yes. Sir, congratulations on a good set of numbers. Sir, just one question. If you can break up also your credit cost into a couple of other components, like standard asset provision. And what is the MTM loss you have on the treasury book, that would be helpful.

Sachinn Joshi:

Actually, if you look at -- in the presentation itself, we give Stage 1, Stage 2, Stage 3, full details on the Retail credit cost breakup. You can look at that. That already has the breakup in the slides.

Kaitav Shah:

No, Sir. In terms of standard asset provisioning, if you are doing, has that number now moved up? And also, if there is any investment book loss that you are looking at?

Sachinn Joshi:

Yes. So standard asset provision, the amount will go up based on the increase in the fresh book, right. As our book starts growing, it will first reflect the increase in Stage 1. And depending on the quality of assets, it will lead to change, which is on slide 39.

Moderator:

We take the next question from the line of Avinash Singh from Emkay Global Financial Services Ltd.

Avinash Singh:

So, one, on your NIMs+Fees. I mean, currently, if I understand broadly ₹ 6,000-odd Cr of security receipts (SR) that will be there and if this is the consol NIMs+Fees that you are disclosing, is it fair to assume, I mean, once, say, in FY27, once your -- this thing, ₹ 6,000 Cr SRs, if they get resolved, broadly, that would lead to close to a 40 bps improvement in NIMs+fee or 30% -- 30 bps improvement in ROA. So that's particularly -- and how is sort of visibility around the resolution of these SRs?

And secondly, on credit cost, if I look at your book, I mean, the 30% is like now -- nearly 30% is going into very, very low credit cost like Mortgages, LAP and incrementally in Gold. Then -- and your steady state guidance is coming close to, say, 200 to 220 bps. Is it fair to assume, I mean, in steady state, you are assuming certain businesses to be somewhere close to, say, a 3% to 4% credit cost?

Sachinn Joshi:

Yes, sure. So, thanks Avinash. So, talking about the NIMs+Fees first. NIMs+Fees has different components, the first being the yield, which depends on the kind of mix because we are already -- initially, it was Retail - Wholesale. Now we are in 98% Retail. So that impact is gone. The second impact now is in terms of the overall mix, Rural Business Finance being the highest yielding. In percentage terms, it will keep coming down, but albeit slowly because -- as you fire up the other businesses. But we also have similar high-yielding businesses that we have started off. Micro LAP is one such business, followed by Personal Loans, SME, all these businesses are -- and Gold Loans, which we recently took over the business. So, all these are equally or maybe at a slightly lower level, but high-yielding businesses. As -- because these businesses have started growing, you have seen that the yields also have gone up by a few basis points.

The second component, of course, is the weighted average cost of borrowing. In a low interest regime, we are now actually reaping the benefits of the overall weighted average cost of borrowing going down.

Our businesses are such that we really don't tweak the yields. In fact, when the interest rates were going up -- when the RBI repo rate had gone up by 250 bps, we did not increase the yields on most of our businesses, except for Mortgages. Same thing is happening as we are seeing the interest rates coming down. Only the Mortgages business is where the interest is being -- the benefit of interest going down, is being passed on.

So, at the NIM level, I think there is a fair play between yields and cost of borrowing. We may have something more coming up because the repo rate reduction has still not been completely -- I don't think the banks have started or fully passed on the benefit. And if there is any further reduction also in repo rate, that also will be available. But it also depends on what is your treasury strategy. So, we have wherewithal to utilise the short-term paper, which comes in slightly at a lower cost compared to medium to long-term instruments that we use to raise funds from the market, like Term Loans or NCDs. So, our CP exposures right now are in the 8% range of overall borrowings. We can go, as per our ALM, we can go right up to 14%, 15%, although we have kept it range bound in that 8% to 9%. We can surely take advantage of that. PSL is one big advantage that a company like L&T Finance has, especially, because of PSL qualifying assets with Farm as well as Microfinance assets.

The third component is, of course, the fees where the -- right now fee depends on 2 things. One is the disbursements, which leads to increase in processing fee; and number two, the cross-selling in terms of the CLI income that we have, the credit-linked insurance. As and when we start off some other fee-related businesses, we will surely see some prop up on the fee part as well.

So, I think the NIMs+Fee, at least, because of so many moving parts, we conservatively give a guidance of a range to be met, which is 10% to 10.5%. When things are favourable, we will be more tending towards 10.5%. And when things turn unfavourable, maybe we'll move towards 10%. I think we will be able to successfully be within this range going forward. The second question...

Sudipta Roy:

Second question, I will take. Second question, I think your question was that if you have a Mortgage at a much lower credit cost then if your overall credit cost is a particular level where the other businesses are at higher credit cost. Obviously, if you look at the microfinance business, for example, now the steady state credit cost that you should expect about the microfinance business, you have a 99.7% collection efficiency, 0.3% is flowing every month, right. Across the 12-month period, that's 3.6%, right. So that naturally gives you a credit cost threshold of about 3% in that particular line of business. Now the fact is that if you are -- suddenly your collection efficiencies go northwards from there, you will have a much lower drag. But for modelling purposes, et cetera, it is fair to assume that in that business, you can expect a steady state 3% credit cost.

Two-Wheeler business, industry operates at a much higher credit cost level, right. But the fact is that for us Cyclops -- with Cyclops, we are very, very confident that over a period of time, and when I say over a period of time, I mean in the next couple of quarters, next 3 to 4 quarters, the headline credit cost trajectory of this business for us will drop below 3%.

But will it go below 2%? We'll have to wait and watch, right. So, when we do our modelling and when we do our predictions, obviously, there are certain businesses at a higher credit cost trajectory, there are certain businesses at a lower credit cost trajectory, and the weighted average will obviously come between that 2% to 2.2% level.

Avinash Singh:

Yes. And any sort of a timeline of security receipts resolutions? And what is the amount currently sitting on your balance sheet?

Sudipta Roy:

About ₹ 5,000 Cr is sitting on our balance sheet right now. And the way we have guided is that it will take us anywhere between the next 2 to 3 years for a full resolution of that, right. So, we are seeing good amounts of resolution. And see, typically, we give details on our security receipts in our Q4 annual results.

So please wait for next quarter to get a full update on that. But you will be reasonably sort of satisfied to see that there has been a good amount of progress on resolutions this year -- throughout this year. And we expect that resolution trajectory to continue, and we are hopeful that this thing will be a thing of the past post the next 3 years -- north of next 3 years. But yes, it will take between 2 to 3 years to fully resolve.

Moderator:

We take the next question from the line of Zhixuan Gao from Schonfeld. Please go ahead.

Zhixuan Gao:

Just want to understand why did our Stage 2 and Stage 3 coverage increase quarter-on-quarter this quarter? Is it because of some ECL refresh? Or is it because of the mix of the LGD on the slippages?

Sachinn Joshi:

Yes. So, the PCR increase is more to do with the higher provisions done for the Stage 3 assets. As I mentioned, the co-borrower issue basically meant that if there were some Stage 3 assets and related borrower or a co-borrower had taken an exposure to some other business, we have made those provisions, the incremental provision.

And that incremental provision has led to increase in the overall provision on Stage 3 assets. So whatever assets moved to Stage 3, the provision made was slightly higher than the GS3 -- incremental GS3 which happened and leading to the PCR being high.

Zhixuan Gao:

Got it. And sorry, just one on the -- we talked about the fourth quarter FY27 ECL refresh. How should we think about the fourth quarter FY26 ECL refresh? Is it likely to be a negative impact or positive impact on the overall credit cost?

Sachinn Joshi:

No. Like I mentioned in the -- earlier when I was explaining, what we believe is that as we move from quarter-to-quarter, the benefits of Cyclops will start flowing in. And once the benefits start flowing in, the models also will look at a lower PD - LGD coming into play because of a better performing book. And naturally, that would ideally -- if that happens over the next 4 quarters, naturally, when we do the similar exercise in quarter 4 of FY27, we should see the numbers actually turning much more favourable than they are today.

Moderator:

We take the next question from the line of Abhishek Murarka from HSBC.

Abhishek Murarka:

So, a couple of questions. Sudipta, can you speak about the asset quality trends and general leverage, et cetera, in the digital Personal Loans book, especially for the disbursements that are coming from your digital tie-ups? We've seen some of the other peers in the industry backtrack on this. So, I just wanted to get an update of how that is going.

The second question I wanted to throw in there is, if I back calculate your write-offs, it's about ₹ 600 Cr for the quarter, how much of that was MFI? And I'm guessing some of the write-offs in MFI would be from the legacy book. So, if that goes away next quarter, then what happens to the MFI write-off number? How much can it fall, right? So, 2 questions. Over to you.

Sudipta Roy:

Yes. So, the first question, our digital partnerships continue to do very well. With every passing quarter -- passing actually month, the credit metrics continue to improve, including the gross nonstarters and the net nonstarters. So -- and the disbursements continue to increase. So, for example, if I were to talk about the gross nonstarter for our portfolio in the month of December, especially in the Personal Loans business, it was a low of 2.69%, right. So -- and the same number probably in the month of August was about 3%.

So, you can see that the quality of the portfolio continues to improve with every passing month. And we are extremely confident of the quality of the book that we're building because contrary to maybe many other players, we do not play in the BNPL space or the near prime or the subprime space. Most of our sort of offers on the digital partnerships is basically in the prime Personal Loans space with good ticket sizes. So -- and that is why our portfolio continues to remain stable in that particular sort of cohort.

So overall, we have had very, very encouraging results on the Personal Loans credit quality, and we remain quite stable in that particular line of business. The next one was, Sachinn, on the write-off number.

Sachinn Joshi:

Yes.

Abhishek Murarka:

Sudipta, if I can just check on this. So, on a 6-MOB (Months on Book), 9-MOB basis also, it's good because your portfolio growth is quite high. So, the denominator kind of...

Sudipta Roy:

Yes. On a 6-MOB and 9-MOB basis. So, a couple of things, Abhishek, we look at. We look at overall portfolio bounce rate. That means whether you're -- on a 6-MOB and a 9-MOB basis, we remain stable, right. And the fact is that the portfolio bounce rates, which means the number of people who bounce their payment at the end of the month, has been actually falling with every passing quarter right. So -- okay. And to be specific, the Partner book bounce rate, right, is sub-2%.

So that means out of 100 cheques that we present in the Partnership book in the month of December, less than 2% of people bounce their cheques, right. Now if I were to look at the industry average for a pure salaried prime Personal Loans book, this number ranges between 3% to 4%. So, in a way, we are very, very happy with the leading metrics of this business.

And as I have said, we are not chasing numbers here. We are chasing quality across all our lines of business. And if we find that if there is a little sort of bubble of risk at any point in time, we will ruthlessly shut it down, right. And one of the important things is that we implemented Cyclops in the Personal Loans business this quarter. Obviously, on a small portion of the business we have initially implemented.

We'll finish full implementation by, at the end of Q4FY26. So, we are very confident that the quality credit origination that we are seeing already in the Personal Loans business will continue to improve. So, in a way, we are reasonably confident that our Personal Loans business will not show any shocks or any upheavals, which might have been prevalent elsewhere in the industry. Sachinn, on the write-off number..

Sachinn Joshi:

Yes, Abhishek, on the write-offs, I think, I'm happy to state that you have gone wrong on your assumption. The slippages, as I mentioned earlier, the slippages have been much lower, and the write-off book accordingly is also much lower than what you have mentioned. It's about ₹ 470-odd Cr. So that's where we are.

Abhishek Murarka:

Okay. And bulk of it would be MFI?

Sachinn Joshi:

Yes, I would say so. Because that was..

Abhishek Murarka:

Yes. So actually, the question, Sachinn, is that if this is from the legacy, does this come off significantly in 4Q as well? That's what I was trying to get.

Sachinn Joshi:

So, see, like we mentioned, 99.7% collection efficiency would mean that only going forward between Jan to March, it's only the 30 bps which is moving forward. So yes, the book which is going to get into 90+ is going to naturally become smaller.

We have also shared in our -- in the presentation that only 2.5% of our total exposure of ~₹ 28,000 Cr is LTF+3 or more, which means 4 exposures of that customer. Those are the risky ones, but that's just 2.5% of the overall.

Sudipta Roy:

See, Abhishek, just to add to what Sachinn says, our MFI book continues to -- has actually stabilized reasonably well right now, right. And frankly, we are very, very confident of the go-forward trajectory of this business, extremely confident, if I were to say -- sort of stick my neck out, right. So, you have seen the collection efficiency improve secularly as we had guided. And I -- we are happy with 99.7%, right. But obviously, we will try to push northwards.

Moderator:

We take the next question from the line of Bhavik Dave from Nippon Mutual Fund.

Bhavik Dave:

Sir, just quickly on your operating expenses, right. Like, they have like trended quite well. The cost to income ratios are like coming off the 40% to 38-odd percent. Just wanted to understand where are we -- like how do we -- I understand we see this directionally going down, but what is your view on this one?

And second, just on this, like, when I look at your slide, which talks about the cross-sell, right -- and cross-sell, upsell. When I look at your Farm and Personal Loan cohorts, there the repeat customer percentage in terms of value that you're giving out is reducing. Anything that's happening out there? If you could just talk about that as well, that will be helpful.

Sudipta Roy:

The first question is on opex. Sachinn, do you want to take the opex question?

Sachinn Joshi:

Yes. So, on the operating expenses, earlier also, we have guided that looking at quarterly numbers, all ups and downs that are there, should not really -- you should not get too much meaning out of it. Very clearly, we are in investment mode. We are investing in technology. We are investing in setting up new branches. Gold Loan, we are setting up 1 branch a day. We also are setting up branches to do Rural LAP. We have Sampoorna branches coming into play. So, the investments will continue to happen. This quarter, the cost to income ratios are below 39%, but I would still suggest that we should assume that it will be somewhere in the range of 40% odd. We are now going to focus on the top line.

As the top line starts growing, the collection, the cost to income ratio will continue to remain range-bound. I think directionally, medium term, our target would be to go below 40%. But I think that we will share that when we are sharing with you the Lakshya 31 target that we will be taking up for achievement.

Sudipta Roy:

Yes. On the Personal Loans value to existing customers, you can see that it has gone down primarily because the origination to fresh customers has increased. So, as a proportion of the value of Personal Loans cross-sell in the overall Personal Loan pie obviously has reduced. But though the volume more or less remains similar, right.

The actual value more or less remains similar because Personal Loans right now, we are doing about ₹ 1,300 Cr a month, right. The amount of cross-sell -- roughly, I'm giving you a rough number. We were doing about ₹ 300 Cr, right. So that number remains more or less constant.

Because one of the things is that our primary Personal Loans cross-sell is to our seasoned Two-Wheeler customers, right. So, because the -- and that will depend on the ingress of -- the velocity of ingress of the Two-Wheeler customers. Off late, the velocity of ingress of our Two-Wheeler customers has gone up primarily because our Two-Wheeler volumes have gone up.

So, you will see probably a quarter or two from now, that number might tick upwards. That means as more and more Two-Wheeler customers get seasoned, the Two-Wheeler cross-sell number might increase as a percentage of the total Personal Loans. But as Personal Loans overall disbursement continue to increase, I do believe that this percentage will remain more or less stable at around this 25% to 30% level.

Bhavik Dave:

Sir, my question was more on Farm Equipment, which is a more seasoned portfolio. There the number is 16% versus like 27%.

Sudipta Roy:

Yes. So Farm, one of the things is that we also have a Farm variant, which we call Kisan Suvidha, which means for a customer who has sort of finished off paying a large proportion of the Farm loan, we normally tend to give an unsecured line of credit to that particular customer, which he can take as a loan.

Now the Kisan Suvidha part, the Kisan Suvidha because -- see, the focus on fresh originations -- because of GST 2.0 was very, very high during this quarter, right, so the focus of that on converting Kisan Suvidha slipped a bit, right. So, because the demand on fresh tractors was so large that we are really focused on that, right. So that is why the Kisan Suvidha slipped a bit this quarter. That has shown up in that 16%.

Moderator:

We take the next question from the line of Abhijit Tibrewal from Motilal Oswal Financial Services Ltd.

Abhijit Tibrewal:

Sir, just 2 clarifications on what we have already discussed until now. Sir, first thing on provision cover. You explained earlier that this time, the increase in the cover was more to do with certain higher provisioning that we did on the co-borrower exposures. Just trying to understand in this -- at the end of this fourth quarter, when you revisit your ECL models, are you expecting a further increase in the provision cover given what we have seen, especially in MFI in the last 1, 1.5 years?

And then I mean, when is it that you plan to start creating macro-prudential provisions? I remember you had shared with us earlier that you'd look to start creating these macro provisions only when you see some benefits flowing through from SR resolutions.

And then the second question I had was more on the NIM+Fees, which we have discussed extensively, your guidance of 10% to 10.5%. We are already at the higher end of that guidance range. So NIM expansion in the coming quarters that you spoke about earlier, is it going to be more a function of an improvement in the product mix? Because, like you mentioned, Micro LAP, Personal Loans, SME, Gold Loans, they all continue to become a higher proportion of your loan mix. So, is that how we should think about it?

Sachinn Joshi:

Yes, Abhijit, let me take the first question first on the overall PCR. In fact, what you mentioned on the Micro Loans actually does not apply to us because Micro Loans, the moment it goes to 90+, we have been providing 100%, okay. We have -- we used to have the macro-prudential, which was at some point of time, ₹ 975 Cr, and that used to sit against the Stage 1 and Stage 2 assets, overall portfolio.

Because 90+ is already being provided for and -- if there is a technical write-off required, we used to do that. It was more of a Finance decision with regard to the tax benefit. But going forward, so which means that the PCR increase will not be required for Stage 3, I'm anyways providing 100% on that portfolio. Going forward, we will have to revisit each and every business to figure out how the businesses have performed and how -- what is the future track which these businesses would take.

And as I was mentioning earlier, the Cyclops delivery, which is, the early signs of which are very good, will frankly decide on the PCR bit. Because if you look at the past, we had challenges starting off with the IL&FS debacle, Covid and last about a year, 1.5 years or maybe around 5 quarters, we have seen challenges on the Micro Loans piece.

So we have actually come out of major -- various crises, which actually going forward, we can safely assume that all these crises are not going to come up on an immediate basis, which -- and if our portfolio starts showing improvement over the next few quarters, I was mentioning that next financial year, Q4 FY27, we will be in a much better position to really relook at the PD-LGD coming slightly down.

Even if you take a good decent future into account, we possibly may -- if at all, we have to bring it down, the PCR may only come down because at industry level, you would see that there are various players having a PCR in the range of 50%, 55%.

So, we are yet to really look at, because we will start the work now that we have closed the third quarter. We will start the work on revisiting the ECL models. And thankfully, even RBI has prescribed the ECL to be made applicable to banks. Now everyone will be on the same level playing field.

And we will also perhaps get some clarity from the regulatory side, how things are applying to banks. And also, there will be various inputs, which will be taken into account to really finally conclude whether these PCRs are really required, they need to go up or down. But as I speak, I think that we are anyways slightly higher on the PCR side. So, if at all, we have to take a call, it will be on slightly lowering it rather than increasing it from here. On the macro..

Sudipta Roy:

On the macro-prudential, I'd just like to add, obviously, it is our objective to build back the macro-prudential as fast as possible. What we are also doing is that in the microfinance business, especially in the markets where we feel that there is a risk overhang or there is a historical track record of event crises, we have also started taking a CGFMU guarantee as well on those portfolios, right. So that even before we start building back the macro-prudential provisions, there's a secondary protection that is put in.

Obviously, as we have said, as our SR portfolios move towards realization, we expect some over realization from that as we move. And whatever we get from that, we will put that towards the macro-prudential provision pool. That is always what we have maintained. So, our objective is to build back this macro-prudential provision coverage as fast as possible.

Though this time, from -- as a matter of strategy, we might do it at an unsecured assets level rather than a single line of business level, right. Last time, the ₹ 975-odd Cr of macro-prudential provisions that we had were specifically targeted towards microfinance business, or the RBF business.

This time, when we build it, we will build it for the overall unsecured asset business of L&T Finance, right. So that will be our strategy. So as and when we get that window of opportunity to build those provisions, we will definitely build those provisions, and we are committed towards the same.

Abhijit Tibrewal:

Got it, Sir. And then the last question that I asked was on how should we think about margins and yields? Will the expansion in yields be more a function of the improvement in product mix?

Sachinn Joshi:

Yes, absolutely. The product mix will ultimately decide where -- which way it would move. I think we will be doing significant work on this when we work on the 5-year plan, and we'll be better off talking about this maybe after the end of next quarter when we unveil the Lakshya 31 fresh set of goals.

Moderator:

We take the next question from the line of Nidhesh Jain from Investec.

Nidhesh Jain:

Sir, my question is on unsecured loans. The share of unsecured loans is around 45% of AUM. How do you see this share moving over the next 2 to 3-year perspective? Also, I see that there is a very strong growth in Personal Loan portfolio around 17%, 18% Q-on-Q and acquired portfolio growth on a Q-on-Q basis. So, what is driving that? And how should we see growth in these 2 portfolios?

Sudipta Roy:

Sorry, Personal Loans and acquired portfolio you said?

Nidhesh Jain:

Yes.

Sudipta Roy:

So, what was the first question?

Sachinn Joshi:

First question was the unsecured share.

Sudipta Roy:

Okay. So unsecured share, yes, currently, it's about 44%. Our stated objective is to have the secured, unsecured ratio at 60:40. So that is our stated objective. So obviously, if you see some of our business lines, like the Microfinance business, the Personal Loans business, the unsecured Business Loans originations, they are of the unsecured nature. But we are trying to balance it by secured Gold Loans, right.

And you see the speed at which Gold Loans has been growing, and that is why we are focusing on rolling out more and more branches of Gold Loans. 200+ Gold Loan branches, we will roll out this year. New branches, 330+ new Gold Loan branches next year. So, the focus would be on growing that business. We are also starting the process of semi-secured as well as secured Business Loans as well. So, to bring down the proportion of unsecured in the Business Loans and the SME segment as well. So that is what we are also starting. So, over a period of time, we would want to move it closer to about 40% in terms of unsecured. And even in SME business loans also, even if they are unsecured, we are looking at taking the -- CGTMSE guarantee for -- to partially secure some of those loans.

So structurally, within the tools available at our disposal, we are also trying to secure some of the downside risk of some of the unsecured loan portfolios by subscribing to the -- some of the government credit guarantee schemes. So that is what is being done.

So -- but to cut the long story short, guidance on final sort of share is 60-40 between secured and unsecured, and we will work towards achieving the same. That might take a couple of years to get to there, but that is what our management has guided. Was that the next question?

Sachinn Joshi:

And Personal Loans.

Sudipta Roy:

Yes. So, Personal Loans, we have grown quite well. But the fact is that you have to understand that the high growth in – Personal Loans is on a low base. The Personal Loans business is on a low base. So, when you go from ₹ 1,000 Cr per month to ₹ 1,300 Cr per month, the growth seems high.

Though -- and also one of the reasons our Personal Loans business has been growing very high is that when we put in the digital partnerships, like when you do a partnership with Google Pay or Amazon or, for that matter, SuperMoney, what happens is that initially, you take a couple of months to stabilize the systems and processes and then that business starts delivering the numbers.

So that is why there is a rapid scale-up in the initial phase, which will settle down to a sort of a much more seeded pace over a 6 to 9-month period. So, the sort of the near vertical trajectory that you see in growth in Personal Loans will attenuate over the next couple of quarters as volumes tend to stabilize, right. And all of these channels tend to reach their -- sort of their funnel maturity. So that is what will happen.

And in terms of the acquired portfolio, obviously, acquired portfolio is primarily portfolios purchased from the market. And we normally do this as a process, right. So -- and just to -- we obviously have a good amount of surplus capital available. So, we want to deploy that capital into productive assets.

For example, at times, it might make sense for us to acquire a mortgage portfolio or an affordable housing portfolio primarily because the cost of origination is not part of the business, right. So, we have previously done acquisition of portfolios and that continues. This quarter, we focused on it. So that is why you see a sharp growth.

The previous quarter, if you see, there was a degrowth, right. So, this will -- this does not form a normal sort of steady state trajectory. It depends upon the portfolio pools which are available in the market, which portfolio pool meet our income as well as risk thresholds and benchmarks.

So, it's -- you can consider this business, which will be there, but the trajectory of this business will be sinusoidal. There is no -- we do not chase any number target for the acquired portfolio. Whenever we get a portfolio, which meets our benchmark, we buy it, right. So just to make sure that our capital is deployed more efficiently and our leverage continues improving.

Moderator:

We take the next question from the line of Chintan Shah from ICICI Securities.

Chintan Shah:

So, sir, one thing. Firstly, on the Rural Business Finance portfolio. So given that there are now guardrails on the JLG lending piece. So, are we looking to move to individual lending in MFI? That's the first question. And secondly, sir, on the average yield, if you could just share the average disbursement yield for gold loans for the current quarter. So that would be helpful.

Sudipta Roy:

First question, individual loans, not in terms of individual consumption loans. We are not looking at individual consumption loans. Though we might work on Micro Business Loans, somewhat on the lines of Micro LAP that we do. So -- but it will be a very slow start. This is something that we will sort of very carefully tread on.

To answer your question, right now, we are not doing it, right. But the fact is that in our plan for FY27, we might look at some pilots. In FY27, we might look at some pilots because we want to tread very cautiously on this. And we want to -- sort of do very small pilots, see the efficacy, see the top-line credit parameters that are building before we build it up. But we'll be very, very clear, we will not be giving individual loans for consumption. We'll be very, very focused on linking it to a business outcome or a sort of micro business loan, if I may have to term it. Right. So that is why a good amount of pilot and seasoning is necessary. So, this might not be a relevant item for FY27. But if we are successful, this might be a relevant item for FY28.

Chintan Shah:

Okay. Sure. So just one thing, a follow-up on that. In terms of steady state growth for the MFI business, would we be looking at a 20%, 25% growth for MFI or lower than that? And if lower, given the MFI...

Sudipta Roy:

No, no, will not be looking at a 20%, 25% growth rate for the MFI business. We will be happy to -- happy if we hit somewhere between 15% to 20%.

Chintan Shah:

Sure, sir. So given that this is almost 25% of our portfolio and a high-yielding business for us as well. So how are we looking to compensate the yields for the -- from the MFI -- lower growth in the MFI business?

Sudipta Roy:

So again, Gold is obviously a compensating block, and that is why we made the acquisition of the Gold Loans business. And then we are trying to optimize our yields upwards for all our lines of business. We are trying to optimize yields upwards for our Two-Wheeler business. We are trying to optimize yield upwards for our SME business. We are trying to optimize yield upwards for our Personal Loans business.

So -- but also, if you see our Micro LAP business, has also been growing very well, right. We crossed ₹ 1,000 Cr of book size this quarter, right. And we are improving our branches -- branch presence on Micro LAP as well. So overall, whatever -- the question on that is that whatever sort of growth -- sort of missing part of the jigsaw that we might get from our MFI business, we will try to cover it up by our high-yield secured businesses as much.

Sachinn Joshi:

Yes, just to add, Chintan. Earlier also, we mentioned about the kind of mix that we tend to see over a period of time. It will be having 3 components, right, the yield; cost of funds; as well as fee. The yield part, we are already working on, and it's already started showing results. The reduction in book of Rural Business Loans is not going to be at a significant pace.

It will continue to grow standalone, but it's only because of the other businesses growing, in percentage terms, it may come down, and that will be more than compensated by the growth of other high-yielding businesses like Gold Loan, Micro LAP, SME.

And one more thing which one should not miss out is that we are not going to focus only on the NIMs+Fees because directionally, you may find NIMs+Fees slightly lower over a medium to long term, but which will be more than compensated by a reduction in operating expenses, which is the collection cost and the credit cost.

So, we will still have the ROAs intact in spite of this coming down a bit. I'm not saying that it will. But if at all, in your models, if you're trying to factor in, you should also factor in that if the yield goes down a bit because we have moved more towards prime, you should factor in a reduction in credit cost and collection cost accordingly.

Chintan Shah:

Sure, sir. That is very helpful. Just then last thing...

Moderator:

Chintan, if you could please rejoin the question queue. Thank you. Ladies and gentlemen, with that, we conclude the question-and-answer session. I now hand the conference over to Mr. Sudipta Roy for his closing comments.

Sudipta Roy:

Thank you, everyone, for giving us the opportunity and patiently hearing us out. As always, we remain focused on execution. We remain focused on, as I've said in a recent press item, relentless execution. Our focus is to make sure that the initiatives on the credit side that we are currently running, especially Project Cyclops and Project Nostradamus, actually are completely pushed out across all our business lines.

And we will be focused on disbursement growth. Q4FY26 will be also a focused quarter for disbursements. And we are very hopeful that the growth trajectory that you have seen in Q3FY26 will continue unabated in Q4FY26.

We will announce our Lakshya 31 plans in the April quarter. So as part of our April quarterly results, we will also announce the Lakshya 31 plans. And I'm looking forward to discussions on the Lakshya 31 plans in our next analyst call. I wish all of you a very happy New Year once again. And with that, we will bring this call to a close.

Moderator:

Thank you. On behalf of L&T Finance Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.

*Since the transcript has been derived from a voice recording tool, necessary corrections have been made to remove anomalies as well as manifest but inconsequential factual discrepancies, repetitions in Q&A which would have unintentionally crept in, if any