

L&T FINANCE HOLDINGS LTD.

Sector

May 22, 2023

Buy at CMP: Rs 99.6 | Target: Rs 112 (12%) | SL: Rs 92

Finance



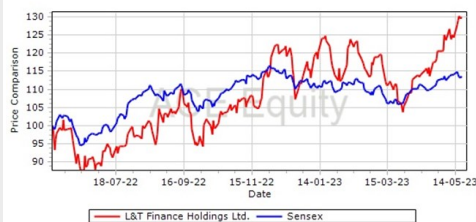
Script Details

BSE Group	A
BSE Code	533519
NSE Code	L&TFH
Bloomberg Code	LTFH IN
Market Cap (INR Cr.)	24,728
Free Float (%)	33.9%
52wk Low/High	102/66
Beta (1yr Nifty 50)	1.52
Face Value (INR)/ D. Yield (%)	10/0.5
Total paid Up Shares (Mn.)	2480.0

Share Holding Pattern (%)

Promoters	Public	Others
66.1%	33.9%	-

Share Price Relative Performance



L&T Finance Holdings primarily focuses on providing a wide range of financial solutions to individuals, micro, small, and medium enterprises (MSMEs), as well as large corporates. The company's business operations can be summarized as follows: Retail finance, Rural Finance, Wholesale loans etc. it has various subsidiaries such as L&T Finance, L&T Housing Finance, L&T Infrastructure Finance Company, L&T Infra Debt Fund, L&T Investment Management and L&T Capital Markets.

Investment Rationale

- ◆ **Progressing Well towards “Lakshya 2026”:** L&T FH as firm has set a company specific goal “Lakshya 2026” for overall operations. Under this goal company aims to have retail loan book at 80%+ of total assets. More than 25% retail loan growth and strong asset quality parameters such as GNPA of <3% and NNPA of <1%. The ROA aim has been set at 2.8%-3.0%. The company is progressing well towards this goal.
- ◆ **Retailization of Loan book, a Key Re-rating Potential:** The company's overall loan book composition was driven by wholesale loan during last decade. However the high growth retail loan book now forms 59% of total assets and the wholesale segment is reduced to 17% in Q4FY23 from 57% in Q3FY18. The retail segment enjoys high margins compared to wholesales and company aims to build retail book at more than 25% growth per annum. A calibrated progress towards this could lead to potential re-rating.
- ◆ **Improving NIMs & Asset Quality:** In Q4FY23, its NIMs + fees improved to 9.21% (from 8.80% in Q3FY23). The NIMs + fees increased sharply with higher realization mix from retails business (75% vs. 61% QoQ and 51% YoY), the momentum in growth is expected to continue with strong retail business growth and robust ALM management. Its GNPA & NNPA stands at 4% / 1.8% respectively and has improved on qoq & yoy basis.
- ◆ **Outlook & Valuations :** With its calibrated move on company goals, it is expected to drive robust topline for it over FY22-FY25E. Its implied forward PB arrives at 0.9(x) for FY25E. We value it with a Price to book multiple of 1.2x to FY25E book value which results per share value of Rs 112. We recommend BUY on L&TFH at CMP of Rs. 99.6 with Target price of Rs. 112 (12%).

Financial Snapshot

Year	Net Interest Rev.	Pre-Provision Profit	PAT (Rs Cr)	PB Ratio (x)
FY22A	6,176	2,932	1,049	1.2
FY23A	6,978	3,690	1,958	1.2
FY24E	7,500	4,056	2,109	1.1
FY25E	7,856	4,965	2,695	0.9

Source: Company Data, Ace Equity, GEPL Research

TECHNICAL VIEW

Observation

- The stock of L&TFH has created a base at the lower levels of 60 which indicates the improving undertone of the prices.
- On the Weekly timeframe, the stock price has broken out from the Inverse Head & Shoulder pattern in the latest week and was accompanied by high trading volumes. This indicates a strong confirmation of the breakout and suggests a potential reversal to the upside.
- The prices have surpassed its variable support of 50 weeks EMA on the weekly timeframe. The indicator acted as optimum support to the prices in its pivot areas.
- The relative strength index (RSI) on the weekly timeframe has shown a breakout reflecting rising momentum in the prices.



Inference & Expectations

- The stock looks good to begin its uptrend from the current levels.
- Going ahead we expect the prices to move higher till 120 level.
- The stop loss must be at 92 level, strictly on the closing basis.



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