

December 9, 2025

Management Meet Update

■ Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	ACCUMULATE		HOLD	
Target Price	375		300	
NII (Rs.)	1,01,404	1,15,104	1,01,404	1,15,104
% Chng.	-	-	-	-
PPoP (Rs.)	68,678	77,298	68,678	77,298
% Chng.	-	-	-	-
EPS (Rs.)	23.6	27.8	23.6	27.8
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Int.Inc. (Rs m)	74,331	86,891	1,01,404	1,15,104
Growth (%)	11.2	16.9	16.7	13.5
Op. Profit (Rs m)	47,652	59,124	68,678	77,298
PAT (Rs m)	23,451	26,705	32,839	38,673
EPS (Rs.)	19.0	20.3	23.6	27.8
Gr. (%)	33.2	7.1	16.1	17.8
DPS (Rs.)	6.5	7.0	8.6	10.1
Yield (%)	1.8	2.0	2.4	2.9
Margin (%)	6.1	6.1	6.2	6.3
RoAE (%)	12.4	12.0	12.5	13.0
RoAA (%)	1.9	1.8	2.0	2.1
PE (x)	18.6	17.3	14.9	12.7
P/BV (x)	2.2	2.0	1.8	1.5
P/ABV (x)	2.4	2.2	1.9	1.7

Key Data

	MMFS.BO MMFS IN
52-W High / Low	Rs.387 / Rs.232
Sensex / Nifty	84,666 / 25,840
Market Cap	Rs.491bn / \$ 5,457m
Shares Outstanding	1,390m
3M Avg. Daily Value	Rs.1147.26m

Shareholding Pattern (%)

Promoter's	52.49
Foreign	9.59
Domestic Institution	32.33
Public & Others	5.59
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	12.7	24.4	29.9
Relative	10.7	21.2	25.1

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Growth to pick up in H2 with stable NIM outlook

We upgrade the stock to 'Accumulate' on sustainable growth and margin outlook over the medium term. The management of MMFS expects disbursement growth to pick up in H2FY26 with a strong uptick in tractor and PV volumes. Q2 AuM grew 13% YoY to Rs1,272.5bn; we build 15% for FY26E. Further, the management expects NIM to be resilient at ~7% over the medium term, supported by a favorable mix, boost in fee income, and lower CoF. Weak asset quality and elevated credit cost over the near term will weigh on profitability; however, we expect credit cost to normalize by FY27/ FY28E. Over the long term, the company expects RoA to improve to ~2.5%; we build 2.1% for FY28E. We value the standalone business of MMFS at 1.6x Sep'27E P/ABV (vs. 1.3x earlier). Our SOTP ascribes a valuation of Rs359 for the standalone business and Rs16 for subsidiaries, with a 25% holding company discount, to arrive at TP of Rs375. Upgrade to 'Accumulate'.

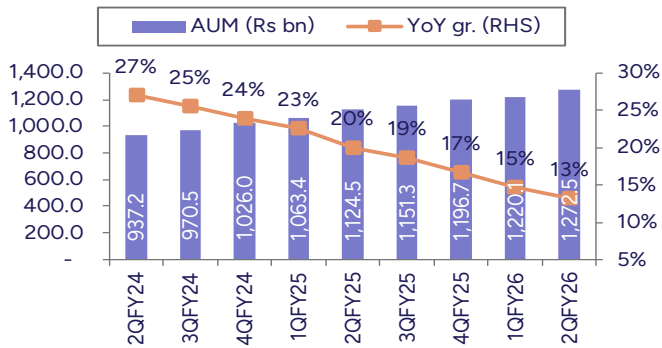
- Disbursements to pick up in H2:** While Q2 disbursements were muted at Rs135.1bn (+3% YoY), the company saw strong growth in tractor volumes (+41% YoY) and expects the trend to continue in H2. Commentary highlighted a strong uptick in PV volumes post GST rationalization; however, a large part of it is related to premium/ SUV segment customers, which MMFS does not cater to. Higher PV volumes, positive monsoon and recovery in rural demand for tractors are likely to drive growth over the near term. We expect AuM to grow 15%/ 14% in FY26/ FY27E.
- Spread to be resilient at ~7%:** MMFS expects to maintain a spread of ~7% over the medium term, supported by a rising share of high-yielding segments (tractor etc.). Fee income has seen a steady growth to 1.4% of average assets in Q2, and the company continues to focus on the same (dividend, co-branded credit cards, FASTag tie-ups, insurance distribution/ TPAP license). MMFS saw 30bps improvement in CoF in Q2 and expects it to be stable over the near term. We expect spread to improve in FY27E supported by a favorable mix and lower CoF. On the opex front, the company continues to invest in AI and data analytics (completed Phase 2 in Nov'25) to improve underwriting, customer service and collections.
- Credit cost to improve in FY27/ FY28E:** Gross Stage 3/Net Stage 3 ratio stood at 3.94%/ 1.89% in Q2. MMFS highlighted an improving trend in early delinquencies (GS2 + GS3 ratio at 9.72% in Q2) and guided for a credit cost of 1.7% for FY26 (vs. 2.0% for H1FY26). It will be changing its ECL methodology from Q3 to normalize its provision buffer to ~45% (vs. PCR of 53% currently). While we continue to be watchful of asset quality and build a higher credit cost of 1.9% for FY26, we expect it to normalize to 1.7%/ 1.6% in FY27/ FY28E.
- RoA to improve to ~2.5%:** Over the long term, MMFS aims to capitalize on its market leadership in tractor financing with AuM growth of 18%-20%. It expects to diversify into the mortgage and SME/ LAP segments with a strong focus on cross-selling (insurance, FD, MF, PL) to boost fee income. It expects credit cost to improve to 1.3%-1.7% over the long term, resulting in RoA improving to 2.2%-2.5% (vs. 1.9% in FY25). We expect RoA to improve to 2.1% by FY28E, led by the improvement in spread and credit cost.

Exhibit 1: SoTP-based TP of Rs 375

	Networth (Rs mn)	Multiple (x)	Value (Rs bn)	Value/share (Rs)	% of total	Methodology
Core business	270,050	1.6	443	359	95.8	1.6x of Sep'27 ABV
Key ventures						
Mahindra Rural Housing Finance	14,576	1.0	15	12	3.1	1.0x BV
Mahindra Insurance Brokers			11	9	2.4	1.5x based on last stake sale value
Total value of subsidiaries			26	21	5.6	
Less: 25% holding discount			6	5	1.4	
Value of key subsidiaries			19	16	4.2	
Target value			463	375	100.0	

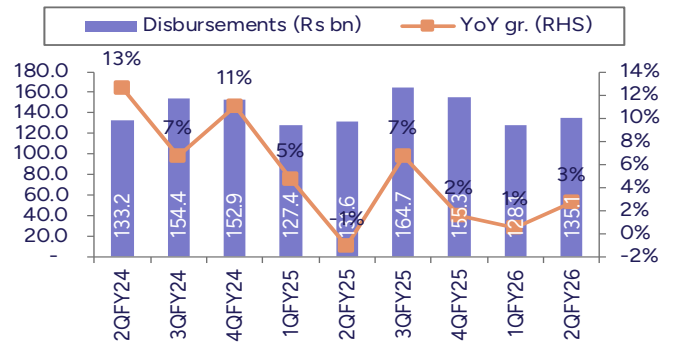
Source: Company, PL

Exhibit 2: Q2 AuM grows by 13% YoY to Rs1,272.5bn...



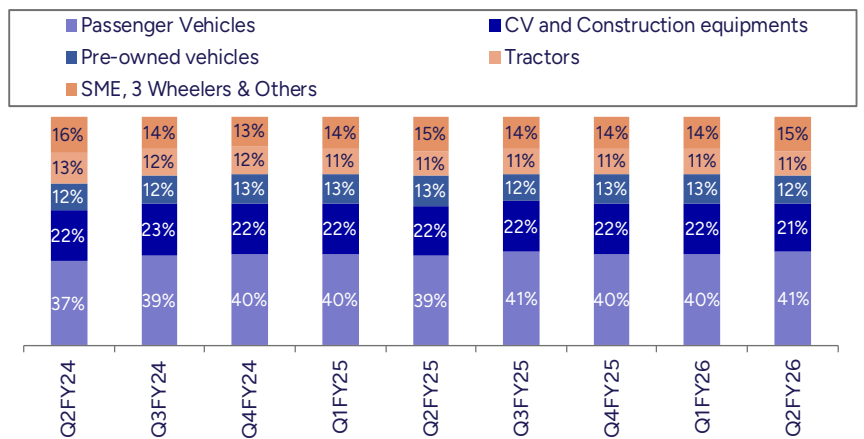
Source: Company, PL

Exhibit 3: ...while disbursements see tepid growth of 3% YoY



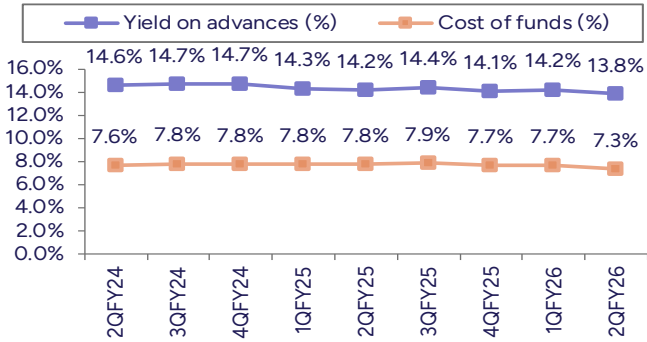
Source: Company, PL

Exhibit 4: CV/ CE and PV dominate AuM mix



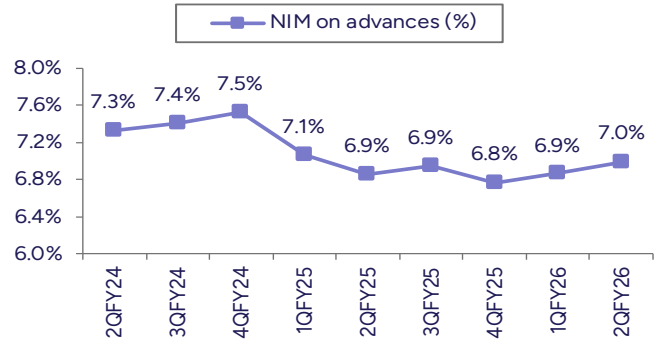
Source: Company, PL

Exhibit 5: CoF declines ~40bps in Q2...



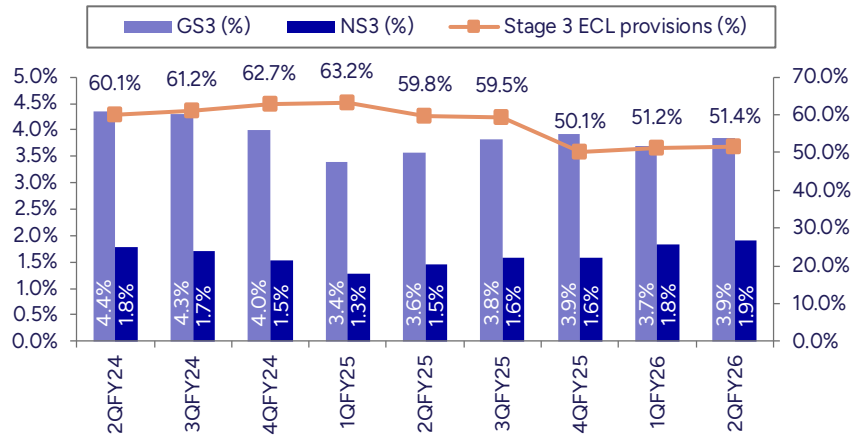
Source: Company, PL

Exhibit 6: ...resulting in +13bps QoQ improvement in calc NIM



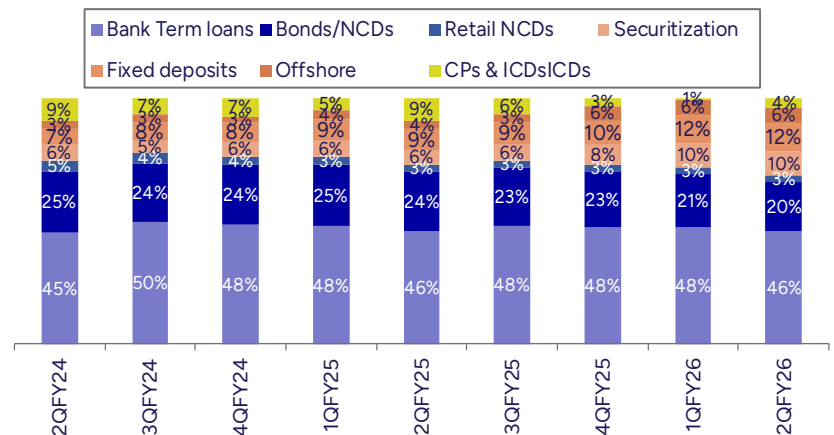
Source: Company, PL

Exhibit 7: Asset quality deteriorates in Q2, continues to be a key monitorable



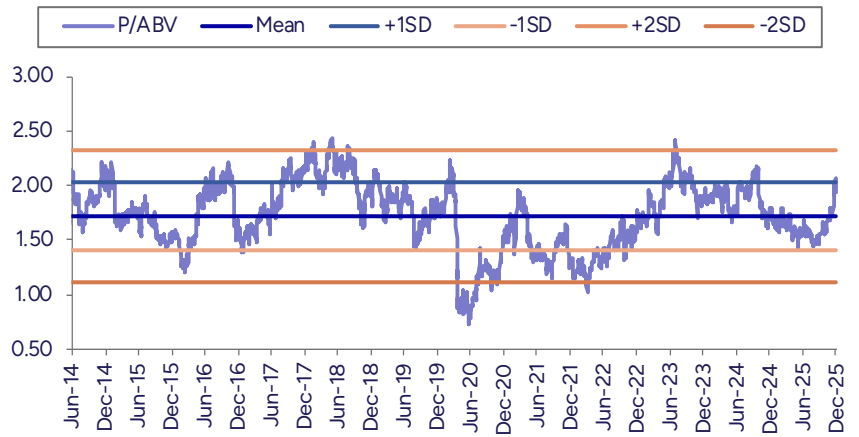
Source: Company, PL

Exhibit 8: Borrowing mix over the quarters – Bank borrowings comprise 46%



Source: Company, PL

Exhibit 9: One-year forward P/ABV of MMFS trades at 2.0x



Source: Company, PL

Income Statement (Rs. m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Int. Inc. / Opt. Inc.	1,53,314	1,74,772	2,00,506	2,24,909
Interest Expenses	78,983	87,881	99,101	1,09,806
Net interest income	74,331	86,891	1,01,404	1,15,104
Growth(%)	11.2	16.9	16.7	13.5
Non-interest income	6,721	11,568	12,892	13,955
Growth(%)	127.5	72.1	11.4	8.2
Net operating income	81,764	99,158	1,15,071	1,29,947
Expenditures				
Employees	19,031	21,886	25,168	28,944
Other Expenses	12,347	15,141	17,916	20,066
Depreciation	2,734	3,007	3,308	3,639
Operating Expenses	34,112	40,034	46,393	52,649
PPP	47,652	59,124	68,678	77,298
Growth(%)	14.0	24.1	16.2	12.6
Provisions	16,179	23,760	24,893	25,733
Profit Before Tax	31,473	35,364	43,786	51,565
Tax	8,022	8,659	10,946	12,891
Effective Tax rate(%)	25.5	24.5	25.0	25.0
PAT	23,451	26,705	32,839	38,673
Growth(%)	33.3	13.9	23.0	17.8

Balance Sheet (Rs. m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Source of funds				
Equity	2,470	2,780	2,780	2,780
Reserves and Surplus	1,95,653	2,43,092	2,75,932	3,14,605
Networth	1,98,122	2,45,872	2,78,712	3,17,385
Growth (%)	9.1	24.1	13.4	13.9
Loan funds	11,28,735	12,47,500	14,17,571	15,95,375
Growth (%)	22.4	10.5	13.6	12.5
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	-	-	-	-
Other Liabilities	28,625	63,400	63,825	59,909
Total Liabilities	13,55,482	15,56,773	17,60,107	19,72,670
Application of funds				
Net fixed assets	8,769	10,084	11,597	13,337
Advances	11,62,140	13,39,059	15,21,611	17,12,465
Growth (%)	17.2	15.2	13.6	12.5
Investments	1,04,005	1,24,750	1,41,757	1,59,538
Current Assets	55,359	57,606	59,946	62,380
Net current assets	55,359	57,606	59,946	62,380
Other Assets	25,209	25,273	25,196	24,951
Total Assets	13,55,482	15,56,773	17,60,107	19,72,670
Growth (%)	17.7	14.9	13.1	12.1
Business Mix				
AUM	11,96,730	13,64,679	15,48,378	17,41,449
Growth (%)	16.6	14.0	13.5	12.5
On Balance Sheet	11,96,730	13,64,679	15,48,378	17,41,449
% of AUM	100.00	100.00	100.00	100.00
Off Balance Sheet	-	-	-	-
% of AUM	-	-	-	-

Profitability & Capital (%)

Y/e Mar	FY25	FY26E	FY27E	FY28E
NIM	6.1	6.1	6.2	6.3
ROAA	1.9	1.8	2.0	2.1
ROAE	12.4	12.0	12.5	13.0

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Int. Inc. / Operating Inc.	39,572	40,172	41,646	41,779
Income from securitization	-	-	-	-
Interest Expenses	20,459	20,896	21,524	20,663
Net Interest Income	19,113	19,276	20,122	21,116
Growth (%)	12.5	6.4	12.8	16.6
Non-Interest Income	1,872	2,279	2,732	3,113
Net Operating Income	20,985	21,555	22,853	24,230
Growth (%)	15.6	9.4	18.3	21.7
Operating expenditure	8,768	9,427	9,323	9,240
PPP	12,217	12,128	13,530	14,989
Growth (%)	-	-	-	-
Provision	91	4,571	6,597	7,514
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	12,126	7,557	6,933	7,475
Tax	3,131	1,925	1,638	1,782
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	25.8	25.5	23.6	23.8
PAT	8,995	5,631	5,295	5,693
Growth	63	(9)	3	54
AUM	11,51,260	11,96,730	12,20,080	12,72,460
YoY growth (%)	18.6	16.6	14.7	13.2
Borrowing	10,45,830	11,28,735	11,08,700	11,47,866
YoY growth (%)	21.0	22.4	16.3	11.2

Key Ratios

Y/e Mar	FY25	FY26E	FY27E	FY28E
CMP (Rs)	353	353	353	353
EPS (Rs)	19.0	20.3	23.6	27.8
Book value (Rs)	160.4	176.9	200.5	228.3
Adj. BV(Rs)	148.2	164.0	186.8	213.5
P/E(x)	18.6	17.3	14.9	12.7
P/BV(x)	2.2	2.0	1.8	1.5
P/ABV(x)	2.4	2.2	1.9	1.7
DPS (Rs)	6.5	7.0	8.6	10.1
Dividend Payout Ratio(%)	-	-	-	-
Dividend Yield(%)	1.8	2.0	2.4	2.9

Asset Quality

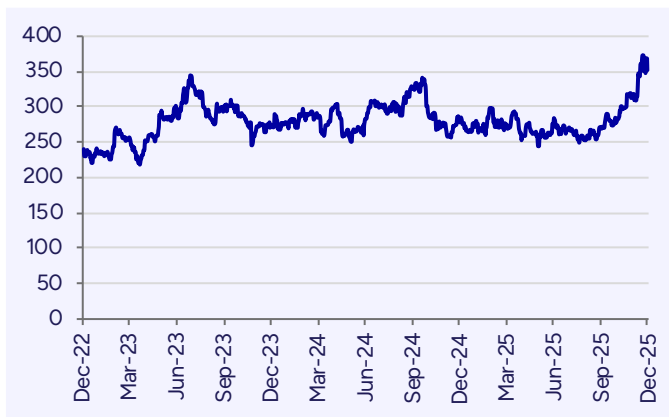
Y/e Mar	FY25	FY26E	FY27E	FY28E
Gross NPAs(Rs m)	44,141	51,723	54,493	58,966
Net NPA(Rs m)	21,559	25,603	27,247	29,483
Gross NPAs to Gross Adv.(%)	3.7	3.8	3.5	3.4
Net NPAs to net Adv.(%)	1.9	1.9	1.8	1.7
NPA coverage(%)	51.2	50.5	50.0	50.0

Du-Pont as a % of AUM

Y/e Mar	FY25	FY26E	FY27E	FY28E
NII	5.9	6.0	6.1	6.2
NII INCI. Securitization	5.9	6.0	6.1	6.2
Total income	6.5	6.8	6.9	7.0
Operating Expenses	2.7	2.7	2.8	2.8
PPOP	3.8	4.1	4.1	4.1
Total Provisions	1.3	1.6	1.5	1.4
RoAA	1.9	1.8	2.0	2.1
Avg. Assets/Avg. net worth	6.6	6.6	6.3	6.3
RoAE	12.4	12.0	12.5	13.0

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	23-Jul-25	Hold	285	266

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Finance	Accumulate	1,125	1,048
2	Cholamandalam Investment and Finance Company	Hold	1,725	1,704
3	HDFC Life Insurance Company	BUY	900	761
4	ICICI Prudential Life Insurance Company	BUY	710	597
5	Mahindra & Mahindra Financial Services	Hold	300	300
6	Max Financial Services	BUY	1,925	1,702
7	SBI Life Insurance Company	Hold	1,950	1,903
8	Shriram Finance	BUY	875	749
9	Sundaram Finance	Hold	5,000	4,691

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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