

October 29, 2025

Q2FY26 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	HOLD		HOLD	
Target Price	300		300	
NII (Rs.)	1,01,404	1,15,104	1,02,949	1,17,018
% Chng.	(1.5)	(1.6)		
PPoP (Rs.)	68,678	77,298	68,001	75,621
% Chng.	1.0	2.2		
EPS (Rs.)	23.6	27.8	25.1	28.1
% Chng.	(5.8)	(1.0)		

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 (%)	2.2	2.3	2.9	3.4
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)	15.8	14.7	12.7	10.8
P/BV (x)	1.9	1.7	1.5	1.3
P/ABV (x)	2.0	1.8	1.6	1.4

Key Data

MMFS.BO | MMFS IN

52-W High / Low	Rs.306 / Rs.232
Sensex / Nifty	84,628 / 25,936
Market Cap	Rs.417bn / \$ 4,723m
Shares Outstanding	1,390m
3M Avg. Daily Value	Rs.587.54m

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	7.2	17.8	12.9
Relative	1.9	11.7	6.7

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Disbursements to pick up; asset quality trend weak

Quick Pointers:

- While Q2 disbursements were muted, expect uptick in tractor and PV in H2
- Asset quality trend weak; expect improvement by Q4FY26

Q2 disbursement growth was muted due to weakness in the CV portfolio; expect disbursements to pick up in H2 with a strong uptick in tractor and PV volumes. AUM grew 13% YoY to Rs 1,272.5 bn; we build 15% for FY26E. Expect spread to improve aided by a favourable mix, boost in fee income and lower CoF. Opex costs to be elevated as the company invests in business transformation. Asset quality trend continues to be weak; we remain watchful and build higher credit cost (1.9% for FY26). We value the standalone business of MMFS at 1.3x Sep-27E P/ABV. Our SOTP ascribes a valuation of Rs 284 for the standalone business and Rs 16 for subsidiaries, with a 25% Holding Co. discount, to arrive at a TP of Rs 300. While disbursement run-rate is likely to improve, weak asset quality trends weigh on profitability. Maintain HOLD.

- Expect disbursements to pick up in H2:** While Q2 disbursements were muted at Rs 135.1 bn (+3% YoY), company is seeing a strong uptick in tractor (+41% YoY) and SME segment (+12% YoY). Commentary highlighted strong volume growth in the PV segment post GST rationalisation in Sep-25 and expects the trend to continue in H2, resulting in better volumes. Disbursements in the used vehicle segment grew 4% YoY while CV & CE disbursements saw a de-growth of 13% YoY, in-line with the industry-wide slowdown in the sector. Consequently, AUM grew 13% YoY/ 4% QoQ to Rs 1,272.5 bn. The share of M&M assets as a part of AUM was maintained at 43% (in the range of 40-45%). Strong growth in PV volumes, positive monsoon and recovery in rural demand for tractors is likely to offset the de-growth in the CV portfolio in FY26. We build an AUM growth of 15%/ 14% in FY26/ FY27E.
- Spreads improving aided by favorable mix and lower CoF:** Reported spread improved to 7.0% in Q2FY26 (vs. 6.7% in Q1FY26) driven by a 30 bps QoQ improvement in CoF. Company expects to maintain spread in the range of 6.5%- 6.7% in FY26, supported by a rising share of high-yielding segments (Used Vehicle and tractor) in the mix. Fee income has seen a steady growth to 1.4% of average assets (vs. 1.1% in Q2FY25) led by higher dividend income from MIBL and company continues to focus on the same (co-branded credit cards, Fast Tag tie-ups, insurance distribution/ TPAP license). We expect spread to improve in FY26E supported by a favorable mix and lower CoF. Opex continues to be elevated, (Opex/AUM ratio at 3.0% in 2Q) as the company continues to strengthen collections.
- Watchful of asset quality trends:** Gross Stage 3/Net Stage 3 ratio deteriorated to 3.94%/ 1.89% vs. 3.85%/ 1.91% in Q1FY26. Commentary highlighted seasonal weakness in the quarter; however GS2+ GS3 ratio was largely flat QoQ at 9.72% (vs. 9.7% in Q1FY26). Company expects asset quality ratios to improve in subsequent quarters and has guided for a credit cost of 1.7% for FY26 (vs. 2.0% for H1FY26). Collection efficiency trend improved to 96% in Q2 (vs. 95% in Q1FY26) and PCR stood at 53%. We continue to be watchful of asset quality and build a higher credit cost of 1.9% for FY26.

Exhibit 1: Q1FY26 Result Overview (Rs mn)

Y/e March	Q2FY26	Q2FY25	YoY gr. (%)	Q2FY26E	% Var	Q1FY26	QoQ gr. (%)	H1FY26	H1FY25	YoY gr. (%)
NII	21,116	18,106	16.6	21,315	(0.9)	20,122	4.9	41,238	35,942	14.7
Spread (%) (calc)	7.0	6.9	14bps	7.0	-4bps	6.9	13bps	6.9	6.9	-3bps
Other Income	3,113	1,802	72.7	2,789	11.6	2,732	14.0	5,845	3,282	78.1
Net Revenue	24,230	19,908	21.7	24,104	0.5	22,853	6.0	47,083	39,224	20.0
Opex	9,240	7,947	16.3	9,934	(7.0)	9,323	(0.9)	18,564	15,917	16.6
PPOP	14,989	11,961	25.3	14,171	5.8	13,530	10.8	28,519	23,307	22.4
Provisions	7,514	7,035	6.8	5,154	45.8	6,597	13.9	14,111	11,516	22.5
PBT	7,475	4,927	51.7	9,017	(17.1)	6,933	7.8	14,409	11,791	22.2
Tax	1,782	1,232	44.7	2,254	(20.9)	1,638	8.8	3,421	2,966	15.3
ETR (%)	23.8	25.0		25.0		23.6		23.7	25.2	
PAT	5,693	3,695	54.1	6,763	(15.8)	5,295	7.5	10,988	8,825	24.5
Business Metrics										
AUM	1,272,460	1,124,540	13.2	1,268,000	0.4	1,220,080	4.3	1,272,460	1,124,540	13.2
Borrowings	1,147,866	1,032,168	11.2	1,164,135	(1.4)	1,108,700	3.5	1,147,866	1,032,168	11.2
Asset Quality Metrics										
GNPA (%)	3.94	3.83	-11bps	3.30	-64bps	3.85	-9bps	3.94	3.83	-11bps
NNPA (%)	1.89	1.59	-30bps	1.62	-27bps	1.91	2bps	1.89	1.59	-30bps
PCR (%)	53.0	59.5	-647bps	51.0	201bps	51.4	157bps	53.0	59.5	-647bps

Source: Company, PL

Exhibit 2: Our SoTP ascribes a value of Rs 300

	Networth	Multiple	Value (Rs bn)	Value/share (Rs)	% of total	Methodology
Core business	270,050	1.3	351	284	94.8	1.3x of Sep-27 ABV
Key Ventures						
Mahindra Rural Housing Finance	14,576	1.0	15	12	3.9	1.0x BV
Mahindra Insurance Brokers			11	9	3.0	1.5x Based on last stake sale value
Total Value of subsidiaries			26	21	7.0	
Less: 25% holding discount			6	5	1.7	
Value of Key Subsidiaries			19	16	5.2	
Target Value			370	300	100.0	

Source: PL

Exhibit 3: Change in estimates

	Revised Estimates			Earlier Estimates			% Revision		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net Interest income (Rs mn)	86,891	101,404	115,104	86,703	102,949	117,018	0.2%	-1.5%	-1.6%
Operating Profit (Rs mn)	59,124	68,678	77,298	57,251	68,001	75,621	3.3%	1.0%	2.2%
Profit after tax (Rs mn)	26,705	32,839	38,673	26,924	34,874	39,083	-0.8%	-5.8%	-1.0%
ABV (Rs)	164	187	213	170	194	220	-3.7%	-3.7%	-3.0%

Source: Company, PL

Q2FY26 Concall Highlights

Growth

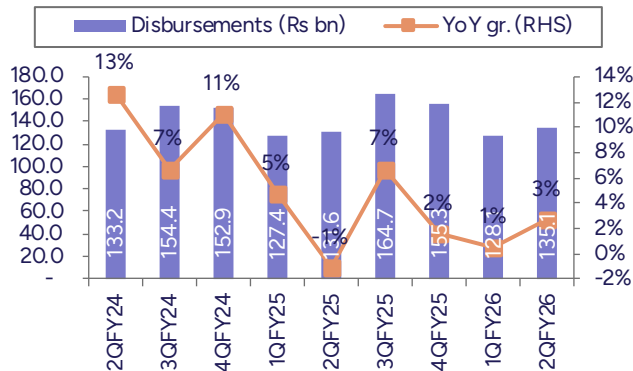
- Business assets of the company primarily comprised of the PV segment with a 41% share in H1FY26, followed by CV & CE at 21%, pre-owned vehicles at 12%, tractors at 11% and SME at 5%. M&M assets contribute 43% of the total.
- Overall disbursements grew by 3% YoY to Rs135.1bn in Q2FY26, driven by strong growth in the Tractor (41% YoY) and SME (12% YoY) segments while CV & CE and 3-Wheeler segments saw a decline of 13% and 22% YoY respectively
- Tractor segment saw a strong growth supported by a positive monsoon and improved collections
- Festive season impact was not visible in Q2; however, the wheels segment is anticipated to see improved momentum in H2 driven by healthy volumes
- Demand for used vehicle segment is expected to face some impact from new vehicle price cuts following GST reduction. However, volume growth is expected to offset price reductions with customers increasingly shifting towards premium products
- Management expects to achieve a disbursement growth of 15% CAGR over the medium term

Operating profitability

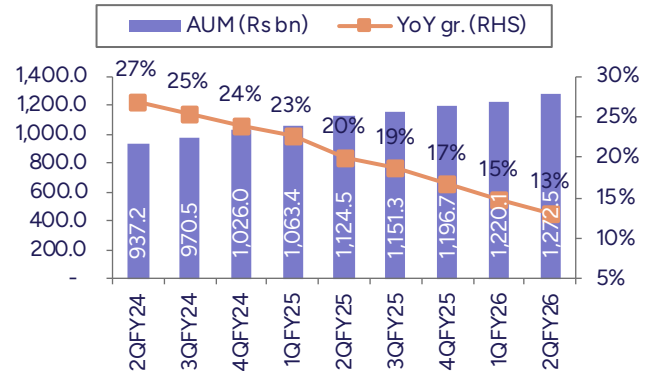
- The pre-owned vehicle business remains ROA accretive benefiting from a robust existing customer base
- Total income during the quarter includes Rs540mn of dividend income from MIBL (vs. Rs150mn in Q2FY25)
- Floating-rate borrowings account for 41% of total borrowings. While the effect of MCLR is yet to be captured, the EBLR adjustments were already factored in the reported CoF
- The company is leveraging on short-term borrowings like CP to raise funds, contributing to a reduction in CoF

Asset quality

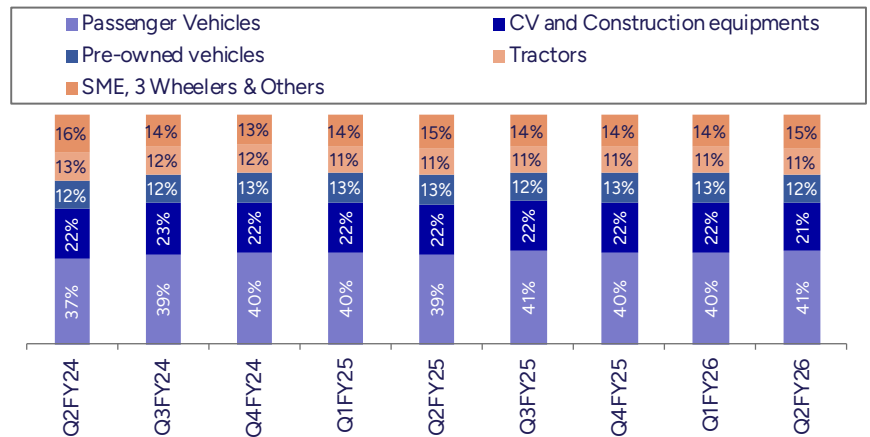
- Management anticipates credit cost to remain within the annual guidance of 1.7%
- GS2 and GS3 are likely to remain below 10%, with further improvement anticipated by Q4
- ARC transaction undertaken in MRHFL resulted in a decline in GS3 / NS3 to 2.9% / 1.0% vs. 9.1% / 5.9% in Q1FY25
- Collection efficiency improved from 95% in Q1FY26 to 96% in Q2FY26

Exhibit 4: Disbursement growth remains soft (+3% YoY)


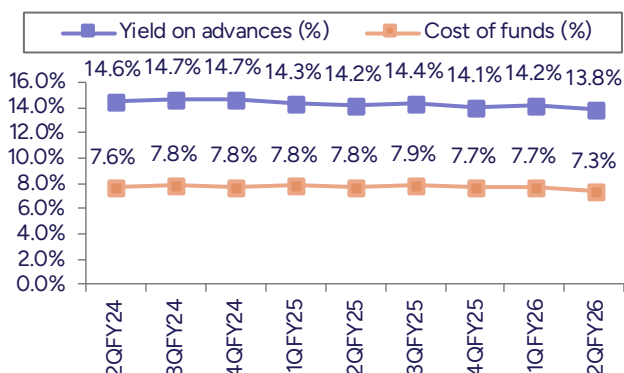
Source: Company, PL

Exhibit 5: AUM grew 13% YoY to Rs 1,272.5 bn


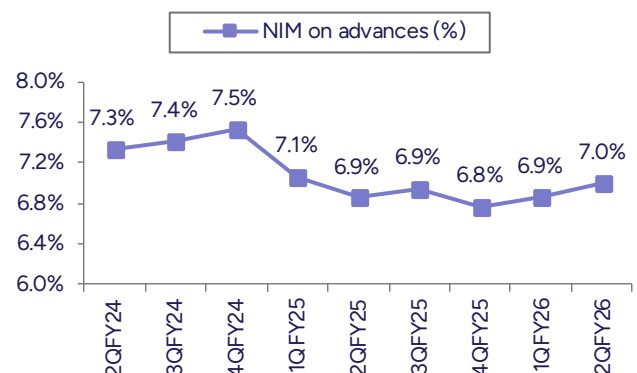
Source: Company, PL

Exhibit 6: AUM mix- CV/ CE and PV dominate the mix


Source: Company, PL

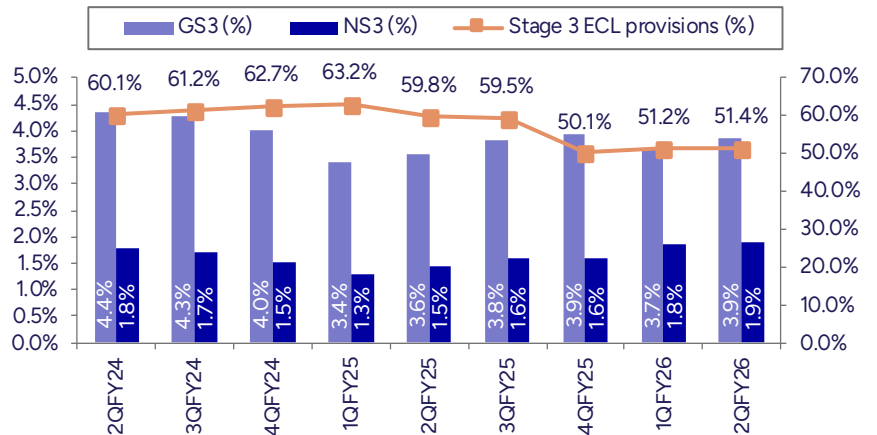
Exhibit 7: Yield and CoF declined ~40 bps QoQ...


Source: Company, PL

Exhibit 8: ...resulting in +13 bps QoQ improvement in cal. NIM


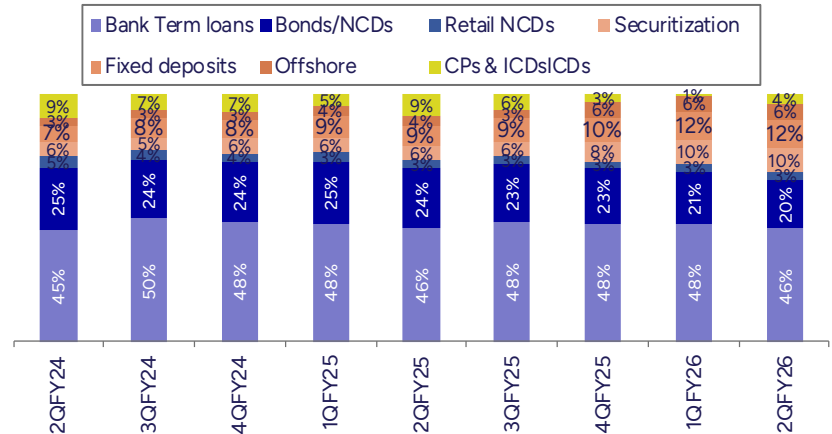
Source: Company, PL

Exhibit 9: Headline asset quality continues to be a monitorable



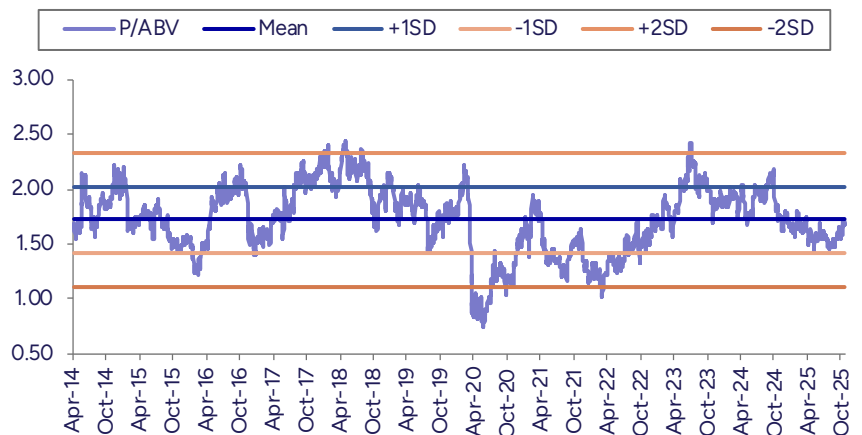
Source: Company, PL

Exhibit 10: Borrowing mix over the quarters



Source: Company, PL

Exhibit 11: One-year forward P/ABV of MMFS trades at 1.7x



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	17,81,434
Growth (%)	16.6	14.0	13.5	15.1
On Balance Sheet	11,96,730	13,64,679	15,48,378	17,81,434
% 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)	300	300	300	300
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)	15.8	14.7	12.7	10.8
P/BV(x)	1.9	1.7	1.5	1.3
P/ABV(x)	2.0	1.8	1.6	1.4
DPS (Rs)	6.5	7.0	8.6	10.1
Dividend Payout Ratio(%)	-	-	-	-
Dividend Yield(%)	2.2	2.3	2.9	3.4

Asset Quality

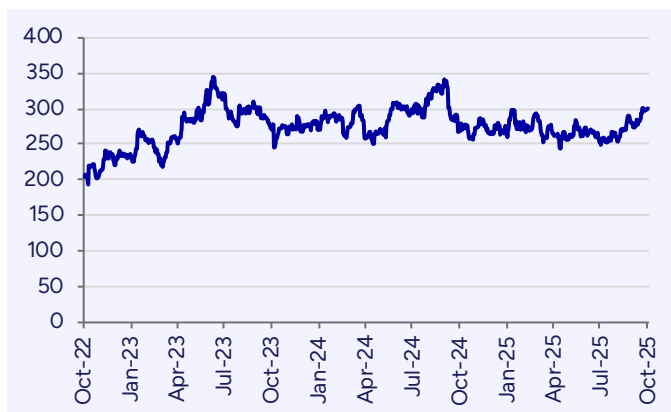
Y/e Mar	FY25	FY26E	FY27E	FY28E
Gross NPAs(Rs m)	44,141	51,723	54,493	58,966
Net NPA(Rs m)	21,559	25,603	27,247	29,483
Gross NPAs to Gross Adv.(%)	3.7	3.8	3.5	3.4
Net NPAs to net Adv.(%)	1.9	1.9	1.8	1.7
NPA coverage(%)	51.2	50.5	50.0	50.0

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	07-Oct-25	Hold	300	283
2	23-Jul-25	Hold	285	266

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Finance	Hold	950	1,017
2	Cholamandalam Investment and Finance Company	Hold	1,550	1,632
3	HDFC Life Insurance Company	BUY	900	761
4	ICICI Prudential Life Insurance Company	BUY	710	597
5	Mahindra & Mahindra Financial Services	Hold	300	283
6	Max Financial Services	BUY	1,850	1,604
7	SBI Life Insurance Company	Hold	1,950	1,903
8	Shriram Finance	Hold	685	667
9	Sundaram Finance	Hold	4,750	4,427

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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