

Muthoot Finance Ltd.

HOLD

Sector: NBFC

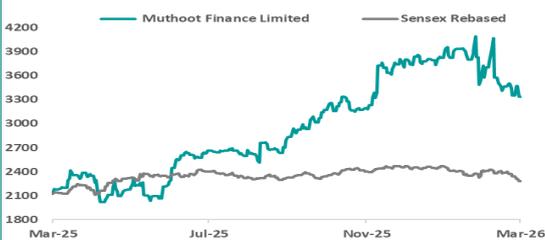
12th March 2026

Key Changes	Target ▲	Rating ▲	Earnings ▲	Target	Rs.3,478
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	MUTH:IN	76,864	MUTHOOTFIN	533398	12 Months
CMP					Rs.3,163
Return					+10%

Data as of: 11-03-2026, 18:00hrs

Company Data			
Market Cap (Rs.cr)	1,27,053		
52 Week High — Low (Rs.)	4,149 — 1,964		
Enterprise Value (Rs.cr)	2,56,159		
Outstanding Shares (cr)	40.2		
Free Float (%)	26.7		
Dividend Yield (%)	0.8		
6m average volume (cr)	0.06		
Beta	1.0		
Face value (Rs.)	10.0		
Shareholding (%)	Q1FY26	Q2FY26	Q3FY26
Promoters	73.4	73.4	73.4
FII's	10.8	11.6	11.7
MFs/Institutions	12.2	11.3	11.1
Public	3.6	3.7	3.8
Total	100.0	100.0	100.0
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-11.3%	18.1%	57.3%
Absolute Sensex	-7.0%	-2.0%	7.3%
Relative Return	-4.2%	20.1%	49.9%

*over or under performance to benchmark index



Y.E March (Rs. cr)	FY26E	FY27E	FY28E
NII	16,777	20,023	23,741
Growth (%)	60.6	19.3	18.6
NIM(%)	11.4	10.9	10.7
Provisions	455	581	803
PAT Adjusted	9,687	10,895	12,557
Growth (%)	86.3	12.5	15.3
Adjusted EPS	241	271	313
Growth (%)	86.2	12.5	15.3
BVPS	922	1,161	1,437
Adj. BVPS	922	1,161	1,437
P/E	15.3	13.6	11.8
P/B	4.0	3.2	2.6
Adj. P/B	4.0	3.2	2.6
ROE(%)	29.6	26.1	24.1

Strong Growth Amid Elevated Valuations

Muthoot Finance Ltd., India's largest NBFC in gold loans by loan portfolio, operates over 7,541 branches nationwide. Besides gold loans, it offers various loans, insurance, money transfer services, and gold coin sales through its subsidiaries.

- In Q3FY26, consolidated loan AUM rose 48% YoY to Rs. 1,64,720cr., led by 51% YoY growth in standalone gold loans, which now comprise 89% of total AUM at Rs. 1,47,552 cr.
- Gold loan yield stood at 20.34% in Q3FY26, supported by one-off NPA recoveries. On a normalized basis, yields are expected to remain in the 18.5–19.0% range. Meanwhile, management has raised FY26 gold loan growth guidance to 45%.
- Standalone profit rose sharply by 91% YoY to Rs. 7,048cr in 9MFY26, supported by improved operational efficiency and strong margins. At the same time, asset quality strengthened, with the Stage III ratio in the gold loan portfolio declining to 1.58% in Q3FY26 from 4.22% a year earlier, driven by customer-led repayments under flexible repayment options.
- Muthoot Finance holds 205 tonnes of gold as collateral, slightly lower than 209 tonnes in the previous quarter, with an average portfolio LTV of 57%. Although fluctuations in gold prices remain a key risk, the company maintains a comfortable margin of safety of about 43%, which helps limit potential credit risk.

Outlook & Valuation

We maintain a cautious outlook on Muthoot Finance despite its strong Q3FY26 performance, where results exceeded estimates, supported by record profit growth and continued AUM expansion. However, the stock has recently faced pressure amid volatility in gold prices and a slight decline in gold collateral tonnage. Additionally, the stock is currently trading at a historical premium to its long-term average, indicating that the recent price correction has already factored in much of the quarterly positives. Nevertheless, improving visibility in loan book growth and stabilizing asset quality remain supportive. Considering these factors, **we upgrade our rating to Hold with a revised target price of Rs.3,478, based on 2.4x FY28E BVPS.**

Quarterly Financials (Standalone)

(Rs cr.)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)
Net Interest Income (NII)	4,467	2,721	64.1	3,992	11.9	11,932	7,544	58.2
Total Income	4,616	2,784	65.8	4,148	11.3	12,365	7,718	60.2
Expenditure	924	724	27.5	883	4.7	2,619	2,029	29.1
Pre-Provision Profit	3,693	2,059	79.3	3,265	13.1	9,747	5,690	71.3
Provision	111	209	-46.9	114	-2.8	268	639	-58.0
PBT	3,582	1,851	93.5	3,151	13.7	9,478	5,050	87.7
Reported PAT	2,656	1,363	94.9	2,345	13.3	7,048	3,693	90.8
Adj. PAT	2,656	1,363	94.9	2,345	13.3	7,048	3,693	90.8
Diluted EPS (Rs)	66.2	34.0	94.9	58.4	13.3	175.6	92.0	90.8

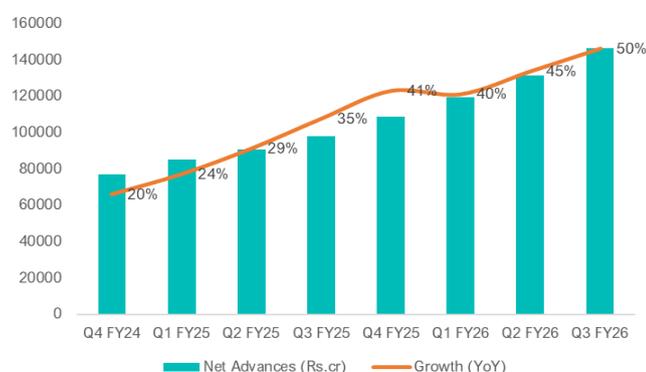


Key concall highlights

- Recent regulatory developments by the RBI include draft norms that allow branch expansion without prior approval, retain the 75% LTV cap on gold loans, permit the use of gold as collateral for business loans, and enable lending against silver from April 1, 2026. However, Muthoot Finance has not yet taken a decision on offering loans against silver. Meanwhile, the company continues to face pressure on its cost of funds, as banks have yet to transmit benchmark rate cuts through reductions in MCLR, limiting the benefit of lower interest rates.
- The microfinance subsidiary, Belstar, saw continued asset-quality stress, with Stage III at 4.93%, and PAT reported a loss of Rs.316cr for Q3 (Rs.1,086cr loss for 9M). Management indicates ongoing recovery and quality enhancement efforts.
- Muthoot Homefin maintained steady growth with loan AUM at Rs.33,802cr and Stage III at 2.32%, showing stable credit performance. Capital adequacy remained strong at 20.27%, comfortably above regulatory norms.
- Muthoot Money Ltd. delivered a sharp turnaround, reporting Rs.972cr PAT in Q3FY26 (Rs.2,034cr for 9M) and Stage III at 0.60%, remaining one of the best-performing subsidiaries, driven by a strategic shift to gold loans. Asia Asset Finance posted LKR 28cr PAT in Q3 (and LKR 68cr for 9M) with continued portfolio expansion. Loan AUM stands at LKR 4,224cr.

*LKR: Sri Lankan Rupee

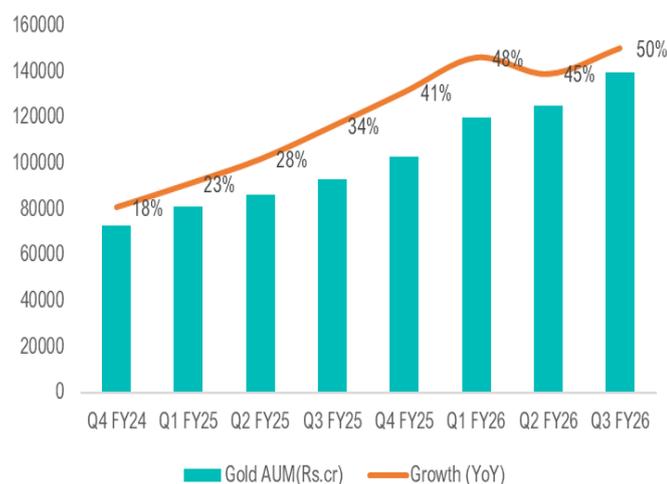
Net Advances



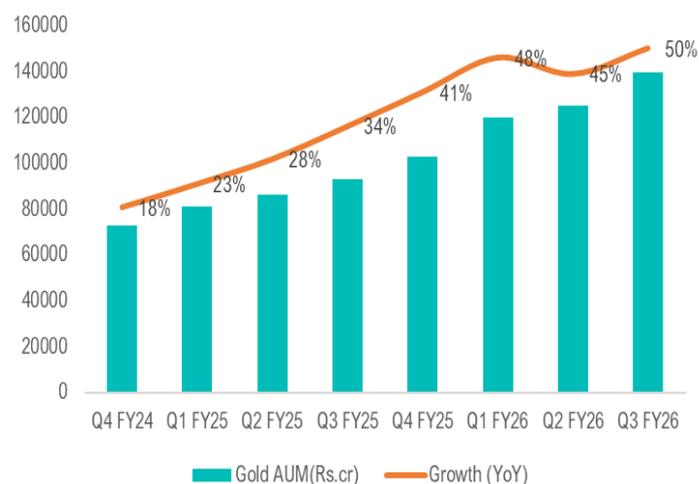
Gold AUM



Net Interest Income



PAT



Change in Estimates

Year / Rs cr.	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Interest Income (NII)	14,989	17,813	16,777	20,023	11.9	12.4
Net Interest Margin (%)	11.0	10.6	11.4	10.9	42bps	30bps
Pre-Provision Profit	11,721	13,215	13,458	15,205	14.8	15.1
Adj. PAT	8,384	9,415	9,687	10,895	15.5	15.7
Diluted EPS (Rs)	209	234	241	271	15.4	15.9



Standalone Financials

Profit & Loss

Y.E March (Rs.cr)	FY24A	FY25A	FY26E	FY27E	FY28E
Interest Income	12,448	16,877	26,740	33,254	39,814
Interest Expense	4,655	6,429	9,963	13,231	16,073
Net Int. Income	7,793	10,448	16,777	20,023	23,741
Change(%)	16.8	34.1	60.6	19.3	18.6
Non Int. Income	246	279	669	698	717
Total Income	8,039	10,727	17,446	20,722	24,458
Change(%)	17.5	33.4	62.6	18.8	18.0
Operating Exp.	2,393	2,890	3,987	5,517	6,800
Pre Prov. Profit	5,647	7,837	13,458	15,205	17,658
Prov. & Conting.	198	767	455	581	803
PBT	5,449	7,071	13,003	14,624	16,855
Change(%)	16.8	29.8	83.9	12.5	15.3
Tax	1,399	1,870	3,316	3,729	4,298
Tax Rate (%)	26	26	26	26	26
Reported PAT	4,050	5,201	9,687	10,895	12,557
Adj.*					
Adj. PAT	4,050	5,201	9,687	10,895	12,557
Change(%)	16.6	28.4	86.3	12.5	15.3
No. of shares (cr)	40	40	40	40	40
EPS (Rs)	101	130	241	271	313
Change(%)	16.6	28.4	86.2	12.5	15.3
DPS (Rs)	24	26	28	32	36

Balance Sheet

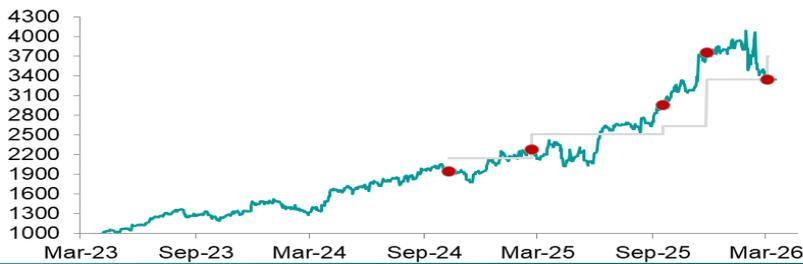
Y.E March (Rs.cr)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash	5,037	7,170	6,575	9,931	11,386
Loans & Advances	77,001	1,08,681	1,51,729	1,81,610	2,17,042
Investments	2,268	4,499	6,606	7,188	10,328
Gross Fixed Assets	681	784	916	1058	1222
Net Fixed Assets	346	476	430	478	534
CWIP	88	13	96	111	128
Intangible Assets	4	3	6	8	10
Def. Tax (Net)	33	60	78	78	78
Other Assets	251	346	425	454	543
Total Assets	85,028	1,21,249	1,65,944	1,99,858	2,40,049
Deposits	58,783	89,820	1,25,408	1,49,561	1,78,138
Other Liabilities	1,607	2,602	3,035	3,087	3,473
Provisions	348	390	501	599	716
Equity Capital	401	401	401	401	401
Reserves & Surplus	23,889	28,036	36,599	46,209	57,320
Shareholder's Funds	24,290	28,438	37,001	46,611	57,722
Total Liabilities	85,028	1,21,249	1,65,944	1,99,858	2,40,049
BVPS (Rs)	605	708	922	1,161	1,437
Change(%)	15.3	17.1	30.1	26.0	23.8
Adj. BVPS (Rs)	605	708	922	1,161	1,438
Change(%)	15.3	17.1	30.1	26.0	23.8

Ratios

Y.E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profitab. & Return					
Interest yield (%)	17.9	18.5	18.2	18.1	18.0
Cost of funds (%)	8.5	8.8	8.9	9.3	9.4
Spread (%)	9.4	9.7	9.3	8.8	8.6
NIM (%)	11.2	11.4	11.4	10.9	10.7
ROE (%)	18.1	20.0	29.6	26.1	24.1
ROA(%)	5.1	5.1	6.7	6.0	2.0
Business Growth (YoY)					
Gold Loan AUM (%)	20.0	43.3	42.5	15.0	15.0
Microfinance AUM (%)	61.9	-20.5	3.0	3.0	3.0
Total AUM (%)	24.6	37.2	42.3	14.9	14.9
Operating Ratios					
Cost to Income (%)	29.8	26.9	22.9	26.6	21.9
Cost to AUM (%)	3.4	3.2	2.7	3.0	0.8
Asset Quality					
GNPA (%)	3.3	3.4	3.0	3.3	3.3
ECL Provision (%)	2.9	3.1	2.6	2.9	2.9
Capital Adequacy					
CAR (%)	30.4	23.7	22.2	23.3	24.1
Valuation ratios					
P/E (x)	29.6	23.1	15.3	13.6	11.8
P/B (x)	4.9	4.2	4.0	3.2	2.6
Adj. P/B (x)	4.9	4.2	4.0	3.2	2.6



Recommendation Summary (last 3 years)



Dates	Rating	Target
10.Oct.24	Accumulate	2,140
20.Feb.25	Accumulate	2,512
18.Sep.25	Sell	2,638
27.Nov.25	Sell	3,350
12.Mar.26	Hold	3,478

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to HOLD, REDUCE or SELL.

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