

M&M Financial Services

India | Diversified Financials | Result Update



22 October 2026

Steady show

M&M Financial Services' (MMFS IN) Q2FY27 PAT of INR 8.8bn (ROA of 2.2%); up 55% YoY with PPOP of INR 17.9bn (+20% YoY), came-in 3-6% below our estimate. High liquidity buffer (INR 161.5bn, up 10% QoQ and 90% YoY) led to gross spread contracting by 30bps QoQ to 7.0%. Disbursements grew 22% YoY, driving AUM growth of 15% YoY. Credit cost of 1.6% (down ~60bp YoY) stayed within the guided 1.3-1.7% band, and GS2+GS3 fell to a record-low of 8.1% (down 30bps QoQ and 160bps YoY). Management retained medium-term targets – AUM growth of 16-18% and ROA of 2.2-2.5% – but flagged rising cost of funds, a softer start to the festival season versus last year and draft insurance-commission norms as headwinds. Subsidiaries added to earnings – MRHFL's PAT tripled YoY to INR 0.35bn and MIBL's PAT rose 2.5x to INR 0.49bn, lifting consolidated PAT 61% YoY to INR 9.1bn. Retain **Accumulate**.

Broad-based growth: Disbursements grew 22% YoY to INR 165bn, led by 3W (up 32%), PV (up 28%), CV / CE (up 16%) and pre-owned vehicles (up 15%), with tractor and SME up 13% each. AI-orchestrated channels contributed INR 16.6bn (~10%). Wheels disbursements rose 21% YoY and non-wheels 52%, taking non-wheels to 20% of consolidated lending AUM of INR 1.56tn. Standalone AUM grew 15% YoY and 7% QoQ to INR 1.47tn, as the 'Others' share rose to 8.2% from 5.3% sequentially on higher than usual trade advances. Trade advances were deployed above normal to support festival season-led growth in Q3. MRHFL's disbursements nearly doubled YoY to INR 11.3bn, with its merger into the parent targeted from 1 April 2027. Management retains 16-18% medium-term AUM growth.

Asset quality trends displaying reduced volatility: GS3 fell 3bps QoQ to 3.42% and GS2 ~20bps to 4.70%, taking GS2+GS3 to 8.1% (Q2FY26: 9.7%), breaking from the usual Q2 spike. Credit cost rose by 5bps QoQ to 1.55% (vs. +23bps a year ago), with end losses steady at 1.2%. Management overlays of INR 8.5bn remain intact with no further planned build-up. Management retained its credit-cost guidance of 1.3-1.7% but highlighted drought risk in 282 districts. Tractor stress will be clearer at the half-yearly instalment cycle. The liquidity buffer was raised to INR 161.5bn as a precaution against West Asia crisis and *El Niño* risks.

Retain Accumulate with a revised March 2027E TP of INR 350: We view the risk-reward turning favorable – steady operational delivery in FY26-Q2FY27 underscore MMFS striking a good balance between asset yields, asset quality and growth. However, near-term headwinds persist from rising cost of funds on a fixed-rate dominated AUM, a softer start to the festival season, drought risk in tractor markets and potential fee dilution from draft insurance-commission norms. We retain our FY27E-29E estimates but cut our Mar '27E SOTP-TP to INR 350 (from INR 380) as we capture higher yields driving our COE to 12.7% (from 12.1%), with the core lending business accounting for ~83% of SOTP. **Key risks** are weakness in rural / agri economy driving lower-than-anticipated AUM growth / asset quality blips and overdependency on M&M ecosystem.

Rating: **Accumulate**

Target Price: **INR 350**

Upside/Downside: **18%**

CMP: **INR 297**

As on 21 October 2026

Key data

Bloomberg	MMFS IN
Reuters Code	MMFS.NS
Shares outstanding (mn)	1,390.2
Market cap (INR bn/USD mn)	414/4,377
EV (INR bn/USD mn)	1,513/16,011
ADTV 3M (INR mn/USD mn)	1,436/15
52 week high/low	415/273
Free float (%)	47

Note: as on 21 October 2026; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q2 FY26	Q3 FY26	Q4 FY26	Q1 FY27
Promoter	52.5	52.5	52.5	52.5
% Pledge	0.0	0.0	0.0	0.0
FII	9.6	9.1	9.4	9.5
DII	32.3	32.3	32.1	31.5
Others	5.6	6.1	6.0	6.5

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(5.7)	(7.2)	(11.8)
M&M Financial Services	(15.0)	(2.9)	(0.9)
NSE Mid-cap	(7.2)	(5.4)	(6.9)
NSE Small-cap	(5.9)	3.2	(1.4)

Source: Bloomberg

Key Financials

YE March (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
PPoP (INR mn)	47,651	62,578	70,320	77,610	87,710
YoY (%)	14.0	31.3	12.4	10.4	13.0
NP (INR mn)	23,450	28,089	35,429	39,712	46,177
YoY (%)	33.3	19.8	26.1	12.1	16.3
EPS (INR)	19.0	20.2	25.5	28.6	33.2
YoY (%)	33.2	6.4	26.1	12.1	16.3
P/PPoP (x)	8.7	6.6	5.9	5.3	4.7
RoAE (%)	12.4	13.1	13.6	13.9	14.6
RoAA (%)	1.9	2.1	2.3	2.2	2.3
P/E (x)	15.7	14.7	11.7	10.4	9.0
P/ABV (x)	2.1	1.7	1.5	1.4	1.2

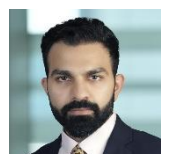
Note: Pricing as on 21 October 2026; Source: Company, Elara Securities Estimate

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Financials (YE March)

Income Statement (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Net interest income	74,456	88,463	100,332	112,533	127,442
Fee income	4,003	7,145	8,574	9,860	11,339
Trading profits	-	-	-	-	-
Non-interest income	6,330	11,487	13,131	14,964	17,056
Net operating revenue	80,786	99,950	113,463	127,497	144,498
Operating expenses	33,134	37,372	43,143	49,887	56,788
Pre-provisioning operating profit	47,651	62,578	70,320	77,610	87,710
Total provisions	16,179	24,412	22,974	24,540	26,000
Profit before tax	31,473	38,166	47,346	53,070	61,710
Tax	8,022	8,904	11,917	13,358	15,532
Minorities/exceptionals	-	1,173	-	-	-
Profit after tax	23,450	28,089	35,429	39,712	46,177
Balance Sheet (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Customer loans	1,196,730	1,340,960	1,530,840	1,741,097	1,973,256
Investments	104,005	68,204	75,024	82,526	90,779
Cash & bank balances	55,359	73,405	80,745	88,820	97,702
Fixed assets	8,764	9,393	10,332	11,366	12,502
Other assets	2,915	3,416	3,882	4,415	5,023
Total Assets	1,390,072	1,518,411	1,722,209	1,951,093	2,200,498
Net worth	198,122	247,587	272,387	300,186	332,510
Deposits	-	-	-	-	-
Borrowings	1,128,735	1,203,349	1,373,743	1,562,423	1,770,758
Other liabilities	63,215	67,476	76,079	88,484	97,231
Total Liabilities	1,390,072	1,518,411	1,722,209	1,951,093	2,200,498
Key operating ratios (%)	FY25	FY26	FY27E	FY28E	FY29E
Lending yield	12.9	12.7	12.9	12.9	12.9
Cost of Funds	7.7	7.2	7.3	7.4	7.4
Spreads	5.2	5.5	5.6	5.5	5.5
Net interest margin	6.1	6.3	6.4	6.3	6.3
CASA Ratio	-	-	-	-	-
Non-interest income / operating income	7.8	11.5	11.6	11.7	11.8
Cost/income	41.0	37.4	38.0	39.1	39.3
Operating expense/avg assets	2.7	2.7	2.7	2.8	2.8
Credit costs / avg loans	1.3	1.7	1.5	1.4	1.3
Effective tax rate	25.5	23.3	25.2	25.2	25.2
Loan deposit ratio	-	-	-	-	-
ROA decomposition (%)	FY25	FY26	FY27E	FY28E	FY29E
NII /Assets	6.1	6.3	6.4	6.3	6.3
Fees/Assets	0.3	0.5	0.5	0.6	0.6
Invst profits/Assets	-	-	-	-	-
Net revenues/Assets	6.6	7.1	7.2	7.1	7.1
Opex /Assets	2.7	2.7	2.7	2.8	2.8
Provisions/Assets	1.3	1.7	1.5	1.4	1.3
Taxes/Assets	0.7	0.6	0.8	0.7	0.8
Total costs/Assets	4.7	5.0	5.0	4.9	4.9
ROA	1.9	2.1	2.3	2.2	2.3
Equity/Assets	6.5	6.3	6.0	6.2	6.4
ROAE	12.4	13.1	13.6	13.9	14.6
Key financial ratios (%)	FY25	FY26	FY27E	FY28E	FY29E
Tier I Capital adequacy	15.2	16.7	16.1	15.7	15.4
Gross NPL	3.7	3.4	4.4	4.5	4.7
Net NPL	1.8	1.4	2.2	2.3	2.4
Slippage ratio	-	-	-	-	-
Per share data (INR)					
EPS	19.0	20.2	25.5	28.6	33.2
BVPS	160	178	196	216	239
Adj- BVPS	143	178	196	216	239
Valuation (x)					
P/BV	1.9	1.7	1.5	1.4	1.2
P/ABV	2.1	1.7	1.5	1.4	1.2
P/E	15.7	14.7	11.7	10.4	9.0

Note: Pricing as on 21 October 2026; Source: Company, Elara Securities Estimate

Exhibit 1: Q2FY27 results highlights

(INR mn)	Q2FY26	Q3FY26	Q4FY26	Q1FY27	Q2FY27	QoQ (%)	YoY (%)
NII + other income	23,896	26,150	27,076	27,447	28,077	2.3	17.5
Operating expenses	8,907	9,573	9,860	9,888	10,164	2.8	14.1
Pre prov op profit (PPOP)	14,989	16,576	17,216	17,559	17,914	2.0	19.5
Provisions	7,514	4,699	5,603	5,697	6,295	10.5	-16.2
Profit before tax	7,475	11,878	11,613	11,862	11,619	-2.1	55.4
Profit after tax (before exceptional)	5,693	9,278	8,730	8,987	8,815	(1.9)	54.8
Reported profit after tax	5,693	8,104	8,730	8,987	8,815	(1.9)	54.8

Source: Company, Elara Securities Research

Exhibit 2: AUM up 15% YoY, led by SME and tractors; CV / CE flat

Lending business book	(INR bn)			Loan mix (%)			Growth (%)	
	Q2FY27	Q2FY26	Q1FY27	Q2FY27	Q2FY26	Q1FY27	YoY (%)	QoQ (%)
Passenger Vehicles	588	506	570	40.1	39.8	41.5	16.0	3.0
Commercial vehicles and Construction equipment	264	262	264	18.0	20.6	19.2	0.6	-0.1
Pre-owned vehicles	176	157	169	12.0	12.3	12.3	12.3	4.0
Tractors	179	137	170	12.2	10.8	12.4	30.1	4.9
SME	97	69	85	6.6	5.4	6.2	40.7	13.5
3 wheelers	44	43	43	3.0	3.4	3.1	1.6	3.2
Other	120	95	73	8.2	7.5	5.3	25.9	64.9
Total Loan	1,467	1,270	1,374	100.0	100.0	100.0	15.5	6.7

Note: Standalone Business AUM; Source: Company, Elara Securities Research

Q2 earnings call – Key takeaways

- Disbursement growth remained strong at 22% YoY, led by the core wheels business and diversification into SME and mortgage. Management indicated that growth was broad-based across asset categories, with the core business growing 21% and non-wheels business 52%.
- Overall lending AUM was reported at ~INR 1.56tn, with wheels contributing 80% and non-wheels 20%. Management reiterated its medium-to-long-term AUM growth aspiration of 16-18%, with diversification expected to provide incremental growth above the core business. The non-wheels mix includes trade advances, which management noted are currently elevated due to festival-season requirements.
- Management reiterated that it would seek to grow the core wheels business slightly faster than the industry, while the diversification businesses may contribute disproportionately to incremental growth.
- Medium-term AUM growth is expected at 16-18% with limited further scope for credit-cost optimisation. Earnings growth should increasingly be driven by loan-book and revenue growth, with some incremental operating-efficiency gains.
- Q2 credit cost stood at 1.6%, within management's indicated range of 1.3-1.7%. Management does not currently anticipate a near- or long-term challenge to this range, subject to macroeconomic stability.
- The company had created cumulative buffers of INR 8.52bn in Q3 and Q4, including provisions for *El Niño*-related risks and the West Asia crisis. Given that GS2 / GS3 are already near historical lows, management indicated limited room for further material credit-cost reduction.
- Management flagged drought-related risks across 282 districts in three states, with the tractor portfolio particularly exposed to rural cash flows. The company has augmented collections in affected locations, has close to 9,000 collection officers, and reduced funding in some stressed locations in Q2.

- ▶ Tractor loans typically have half-yearly instalments aligned with the *Rabi* and *Kharif* cycles. Management expects better visibility on potential stress when the next collection cycle arrives.
- ▶ Management also attributed the sequential moderation in profitability metrics to the liquidity-buffer denominator effect and elevated trade advances, both of which it views as seasonal rather than structural.
- ▶ Management reiterated its medium-term RoA aspiration of 2.2–2.5%.
- ▶ Operating efficiency continued to improve, with the cost-to-income ratio declining from above 40% to below 37%. Management expects to maintain a positive operating-income-to-operating-expense trajectory despite renewed hiring requirements across wheels, SME and mortgage businesses.
- ▶ Headcount had remained broadly static for the previous two years. Additional manpower will now be deployed selectively at dealerships and in growth businesses, with consistently performing off-roll employees eligible to move onto the rolls after meeting productivity thresholds.
- ▶ AI-led initiatives are beginning to deliver measurable operating benefits. AI-orchestrated disbursements were reported at INR 16.63bn, with lower acquisition costs. These primarily comprise top-up loans to existing customers, used-vehicle refinancing and personal loans, alongside dealer-led journeys where back-office processes have been automated.
- ▶ About 75% of back-office operations are covered by AI-enabled workflows, while 12 regional vernacular AI bots support collections and calling. Management highlighted improved efficiency and lower error rates, with AI investments focused on revenue growth, operations and collections.
- ▶ Trade advances increased the “Others” component of AUM from 5.3% in June to 8.2% in September, a sequential increase of 2.9 percentage points versus an increase of ~2.3 percentage points in the comparable prior-year period (5.2% to 7.5%).
- ▶ Management highlighted that the increase was primarily attributable to trade advances, deployed at a higher-than-normal level to support festival-season demand and Q3 growth. Personal loans to existing customers are also contributing, while prime housing, launched in August, remains too small to materially affect the current mix.
- ▶ Management indicated that the proposed merger of the housing finance subsidiary with the parent NBFC is targeted for 1 April 2027, with the effective date expected around June-July 2027.
- ▶ Co-lending in prime businesses remains a potential growth lever, but implementation under the revised CLM1 / CLM2 framework is pending system integration with a couple of banks. Management will provide further updates once the arrangements go live.
- ▶ Fee-based income has increased from ~1.0% to 1.6%, a 60bps improvement, with insurance contributing a portion of the increase. Management cautioned that the proposed insurance consultation paper could have a material impact if implemented as currently drafted, although the eventual impact remains uncertain, while industry representations are underway. The company has only begun benefiting from its corporate agency licence in the past four to five quarters, making the final regulatory outcome an important monitorable for fee-income growth.
- ▶ Funding costs are expected to remain under pressure. Management indicated that it does not expect the cost of borrowings to decline sequentially, given the earlier optimisation of borrowing instruments and tenors and the prospect of higher refinancing costs. About 45–48% of borrowings are floating-rate, largely linked to the repo rate and treasury bills, with MCLR-linked borrowings representing a smaller share.
- ▶ Management estimated that a 25bps increase, if implemented across the relevant floating-rate book, could lead to ~10bps of repricing of the existing stock within a quarter.

- ▶ Early festival-season indicators were softer YoY. Management reported that commerce and underlying unit disbursements during the first 10 days of *Navratri* were below the prior-year period, with tractor activity showing a sharper decline. However, management cautioned that the prior-year comparison was unusually strong due to pent-up demand ahead of GST changes.
- ▶ Vehicle-registration data through September suggested that rural and semi-urban markets were still growing marginally faster than urban and metro markets, so management is not yet factoring in a broad-based deterioration in rural demand.
- ▶ Management reiterated a risk- and price-adjusted growth strategy, stating that it would not pursue growth at the expense of pricing discipline or asset quality. The core wheels business, which accounts for 80% of lending AUM, will remain sensitive to macroeconomic conditions, while the 52% growth in non-wheels reflects diversification and a lower base.
- ▶ Key monitorables are the trajectory of funding costs, the ability to pass on higher costs, drought-related collections and tractor asset quality, festival-season demand, the sustainability of credit costs near the current range, and execution of the mortgage merger and co-lending initiatives.

Valuation: Retain Accumulate with a reduced TP of INR 350

Our SOTP-TP (March 2027E) of INR 350 implies a one-year forward P/B of 1.2x (core lending). This compares with the stock trading at 1.5x / 1.5x / 1.9x on three- / five- / 10-year basis respectively. The core lending business accounts for 83% of our SOTP and is valued using a three-stage dividend discount model (DDM) with the following key assumptions – normalized ROE of 13.5%, COE of 12.7% (12.1% earlier) and terminal growth rate of 5%. Our FY27E-29E estimates are unchanged; the lower TP of INR 350 (from INR 380) reflects the higher COE.

Exhibit 3: MMFS – Core lending business accounts for 83% of March 2027E SOTP

SOTP – Mar 2027E	INR/ share	Valuation methodology	Holding (%)	Share in SOTP (%)
Core lending business	285	Basis three stage DDM	100	83
Mahindra Rural Housing Finance Limited	9	1x Book value	98	3
Mahindra Insurance Brokers Limited	28	20x FY28E P/E	100	8
Mahindra Manulife Investment Management	16	At 8.5% of AUM	51	5
Others		Mahindra Manulife Trustee Company Pvt. Ltd, Mahindra 3 Ideal Finance Limited, (Sri Lanka) and Mahindra Finance USA, LLC	NA	1
Total	342			
Target price	350			

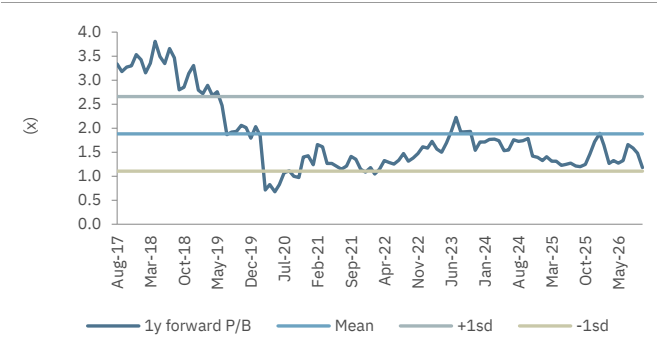
Source: Company, Elara Securities Estimate

Exhibit 4: Dupont analysis

(%)	FY25	FY26	FY27E	FY28E	FY29E
NIM	6.1	6.3	6.4	6.3	6.3
Fees	0.3	0.5	0.5	0.6	0.6
NIM + Fees	6.4	6.8	6.9	6.9	6.9
Other Income	0.2	0.3	0.3	0.3	0.3
NIM + Non Interest Income	6.6	7.1	7.2	7.1	7.1
Opex	2.7	2.7	2.7	2.8	2.8
Cost / Income	41.0	37.4	38.0	39.1	39.3
PPOP	3.9	4.5	4.5	4.4	4.3
Core PPOP	3.7	4.1	4.2	4.1	4.1
Credit cost	1.3	1.7	1.5	1.4	1.3
Credit cost (AUM)	1.5	1.9	1.6	1.5	1.4
Tax rate %	25.5	23.3	25.2	25.2	25.2
ROA	1.9	2.1	2.3	2.2	2.3
Leverage (x)	6.5	6.3	6.0	6.2	6.4
ROE	12.4	13.1	13.6	13.9	14.6
Leverage (AUM / Equity) (x)	5.9	5.7	5.5	5.7	5.9
ROA (AUM*)	2.1	2.3	2.5	2.4	2.5

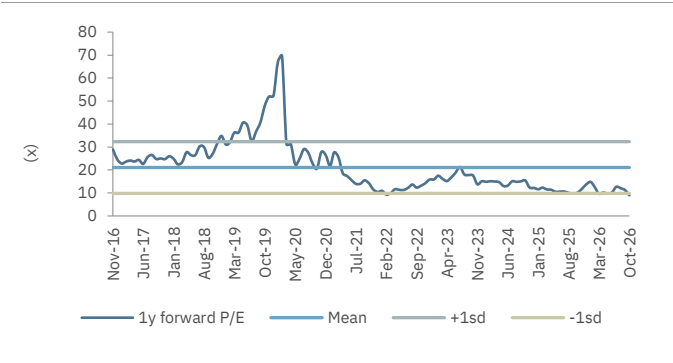
Note: 1. Basis calculated average earning assets, 2. * on business AUM; Source: Company, Elara Securities Estimate

Exhibit 5: MMFS – One-year forward P/B trades at 1.2x



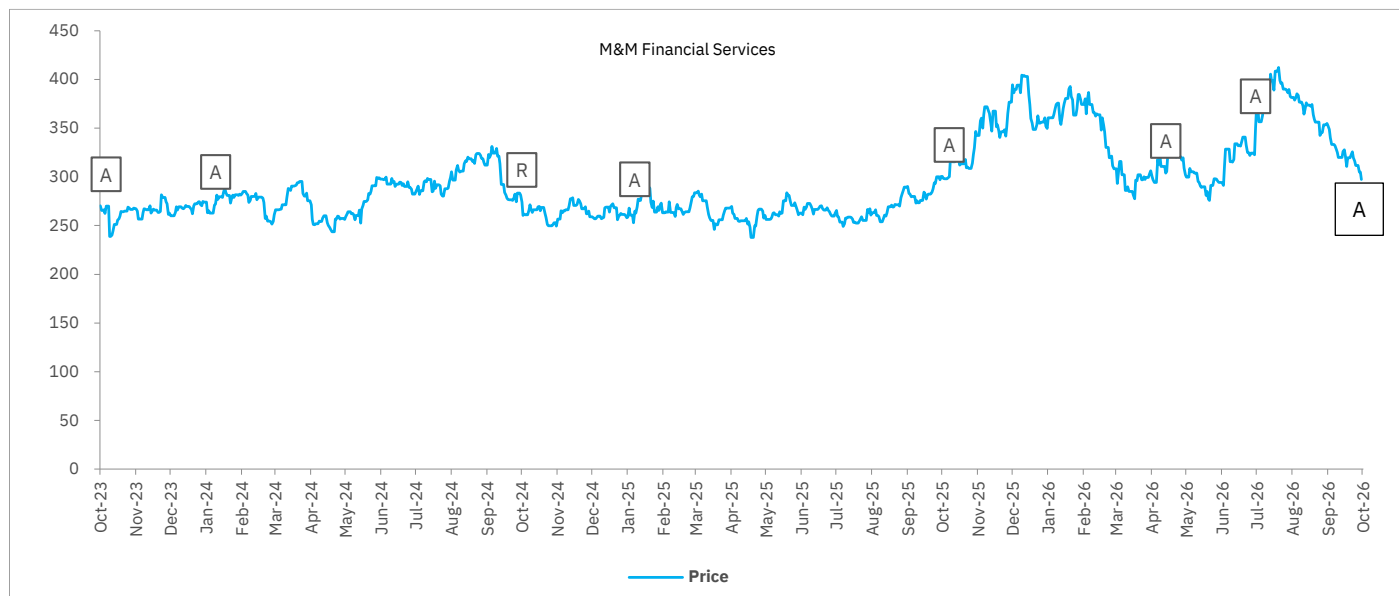
Note: Valuation for core lending business; Source: Company, Bloomberg, Elara Securities Estimate

Exhibit 6: MMFS – One-year forward P/E trades at 9.0x



Note: Valuation for core lending business; Source: Company, Bloomberg, Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
03-Feb-2023	Reduce	230	244
28-Apr-2023	Accumulate	283	259
30-Jun-2023	Buy	400	336
27-Oct-2023	Accumulate	332	277
30-Jan-2024	Accumulate	322	280
22-Oct-2024	Reduce	297	282
28-Jan-2025	Accumulate	297	269
28-Oct-2025	Accumulate	334	300
04-May-2026	Accumulate	360	304
21-Jul-2026	Accumulate	380	350
21-Oct-2026	Accumulate	350	297

Guide to Research Rating

BUY (B)	Absolute Return >+20%
ACCUMULATE (A)	Absolute Return +5% to +20%
REDUCE (R)	Absolute Return -5% to +5%
SELL (S)	Absolute Return < -5%

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