

Mahindra FINANCE

STOCK UPDATE

Result Update - Q3FY2026

SECTOR

NBFC

COMPANY DETAILS

Market cap:	Rs. 52,068 cr
52-week high/low:	Rs. 412 / 235
NSE volume: (No of shares)	31.4 lakh
BSE code:	532720
NSE code:	M&MFN
Free float: (No of shares)	65.96 cr

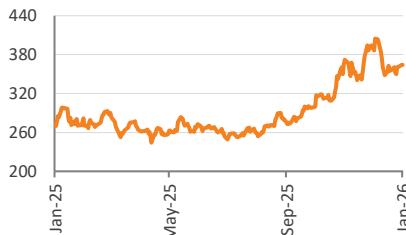
Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)

Promoters	52.5
FII	9.1
DII	32.3
Others	6.1

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART



Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-4.9	25.0	50.6	37.9
Relative to Sensex	-1.9	27.4	48.5	29.1

Source: Mirae Asset Sharekhan Research, Bloomberg

Mahindra & Mahindra Financial Services Ltd

Robust Q3, asset quality improved

Reco/View: **BUY**

CMP: **Rs. 375**

Price Target: **Rs. 435**

Quick Snapshot

- NIM grew 51 bps y-o-y to 7.15% (of AUM) driven by lower cost of funds. NII grew by 20.6% y-o-y and 9.1% q-o-q, beating our estimates.
- PAT beat estimates by 9.9% to Rs. 810 crore, up by 42.4% q-o-q. RoA rose 72 bps q-o-q to 2.51%.
- Asset quality improved, with GNPA at 3.8%, down 13 bps both y-o-y and q-o-q. Hence, credit costs plunged, driving profitability growth.
- Stock trades at reasonable valuations. We maintain a Buy with an unchanged PT of Rs. 435 on improvement in NIMs, steady asset quality and return ratios.

Result overview

- NII** grew 20.6% y-o-y and 9.1% q-o-q (above estimates by 3.5%) to Rs. 2,305 crore. NIM rose 51 bps y-o-y to 7.15% (of AUM) driven by lower cost of funds also rose by 51 bps q-o-q on higher yield.
- PPOP** grew by 35.7% y-o-y and 10.6% q-o-q to Rs. 1,658 crore (beat estimates by 2.9%) on a rise in NII and other income.
- Credit costs** plunged 90 bps q-o-q at 1.46% (of AUM). It was also below estimates. Provisions stood at Rs. 470 crore down by 37.5% q-o-q.
- PAT** beat estimates by 9.9% to Rs. 810 crore, up by 42.4% q-o-q due to growth in NII, lower credit costs and improvement in asset quality. Adjusted profit up by 3.1% y-o-y and 63% q-o-q to Rs. 928. RoA at 2.51%, up by 72 bps.
- Asset quality** improved, with GNPA came in at 3.8%, down 13 bps each y-o-y and q-o-q. Nep NPA came in at 1.82%, down by 18 bps y-o-y and 6 bps q-o-q.
- AUM** rose 12% y-o-y and 1.4% q-o-q to Rs. 128,965 crore driven by SME and tractor, pre-owned and PV segments. Disbursement grew by 7% y-o-y and 30.3% q-o-q driven by tractor segment (up by 65% y-o-y). Three-wheeler segment underperformed.

Our Call

M&M Finance reported strong numbers for Q3FY26. We expect AUM/PAT CAGR of 14%/21% over FY25-FY28 driven by rising NIMs and falling credit costs. Overall, return ratios are expected to improve, with this RoA/ROE is expected to come 2.2% /14.2% in FY28. We maintain a Buy with an unchanged PT of Rs. 435, as the stock trades reasonably at 1.7x its FY28E BV.

Key Risks

- Competition from banks may stress NIMs.
- Deterioration in asset quality may drive up credit costs.

Valuation

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Net Interest Income	6,682	7,433	8,678	10,130	11,540
Net profit	1760	2345	2907	3411	4115
EPS (Rs)	14.3	19.0	20.9	24.5	29.6
P/E (x)	26.2	19.8	17.9	15.3	12.7
P/BV (x)	2.6	2.3	2.2	1.9	1.7
RoE (%)	10.0	12.4	13.2	13.3	14.3
RoA (%)	1.7	1.9	2.0	2.1	2.2

Source: Company; Mirae Asset Sharekhan estimates

Concall highlights

1. Financial Performance and Profitability

- **Returns (ROA & ROE):** The company achieved a sequential PAT growth of 59% in Q3, with 9M PAT rising 76%. The 9M ROA stands at 1.9%, with Q3 hitting 2.5%. The immediate goal is to hit a consistent 2% ROA milestone, with a long-term ROE target of 15%.
- **NIMs:** They expanded by 50 bps, reaching 7.1% for the 9-month period, up from 6.6% in the previous fiscal year.
- **Fee income:** This structurally improved to 1.4% (up from 1.1% YoY), driven by a new corporate agency license for insurance and regular dividend payouts from its 100% subsidiary, MIBL.

2. Disbursement and Segment-wise performance

Q3FY26 clocked record disbursement growth of 7% y-o-y, primarily driven by GST rate cuts.

- **Tractor finance:** Disbursements grew 65%. The company has widened its lead as the top tractor financer in India.
- **Passenger vehicle finance:** While sequential growth was 33%, y-o-y growth was only 1%. The company saw high unit growth, but total disbursement value was offset by a decrease in ticket sizes and the maintenance of conservative Loan-to-Value (LTV) ratios.
- **CV finance:** Management remains cautious in this segment due to asset quality stress seen across the industry and is avoiding the “extreme fleet” or “new-to-borrower” segments.
- **MSME/SME Growth:** This business is scaling rapidly, with AUM now touching approximately Rs. 8,000 crore.
- **Three-wheeler finance:** Focus has shifted toward Electric Vehicles (EV), which management views as the future of this segment.
- Mortgages represent a critical pillar of Mahindra Finance's strategic pivot toward a more diversified business model. The company is currently evaluating a merger between the parent entity and its 100% subsidiary, Mahindra Rural Housing Finance Limited (MRHFL), affordable segment to contribute meaningfully towards growth in this segment.

3. Asset Quality and Credit Management

- **GS3 and collections:** Asset quality has stabilised, with Gross Stage 3 (GS3) at 3.8%. GS2 + GS3 has remained below the 10% threshold for eight consecutive quarters, currently standing at 9.2%.
- **Credit cost:** The nine-month credit cost is 1.8%. Management aims to keep this within a “zip code” of 1.5-1.7%.
- **ECL refresh and PCR:** The company completed its annual Expected Credit Loss (ECL) refresh, moving to a more granular product-specific model and industry-standard recovery “lookout periods”.
- **Management overlay:** Instead of taking P&L benefits from the ECL refresh, the company created a management overlay of Rs. 635 crore, maintaining the Provision Coverage Ratio (PCR) at 53%.
- **Write-offs:** The company executed a 146 crore write-off related to a previously fully-provided legacy incident, which net-net resulted in a 4 bps reduction in GS3 assets.

4. Strategic operations and diversification

- **Trade advance finance:** A significant amount of trade advances were given in Q2 to facilitate seasonal disbursements; as these converted to interest-bearing book in Q3, they aided a rise in NIMs.
- **Opex:** Opex to average assets remains rangebound between 2.5% and 2.8% as the company continues to invest in new business channels.
- **Insurance and Distribution:** Beyond the Eminem ecosystem, the company is leveraging its 1,400 branches to distribute life and general insurance through its corporate agency and MIBL.

5. Opex guidance

- Company is eyeing the higher end of the 2.5-2.8% range due to being in an active “investment zone”

6. FY30 Strategy

The company is aggressively working to reduce its “monoline” risk associated with vehicle finance (Wheels).

- **Asset mix:** By FY30, the objective is to reduce the Wheels portion of the book from 88% to 70%, with the remaining 30% coming from mortgages and MSME.
- **Affordable Housing (MRHFL):** The turnaround of Mahindra Rural Housing Finance is complete, with GS3 now below 3%. The board is currently evaluating a merger between the housing subsidiary and the parent company to achieve scale and operational efficiency in mortgages.
- **Q4 outlook:** While Q3 saw pent-up demand from the festive season and GST benefits, management is “cautiously optimistic” about Q4, noting that demand momentum may not continue at the same intense clip as Q3.
- 9MFY26 NIM reached 7.1%, compared to 6.6% in the previous fiscal year. While the Q3 NIM was 7.5%, management cautioned that this included one-time benefits and should be read against the more reflective of the 9-month average.

Results

Particulars	Q3FY26	Q3FY25	Y-o-Y %	Q2FY26	Rs cr Q-o-Q %
Interest Earned	4,407	3,957	11.4	4,178	5.5
Interest Expended	2,103	2,046	2.8	2,066	1.8
NII	2,305	1,911	20.6	2,112	9.1
Other Income	356	187	90.2	311	14.4
Total Income	2,661	2,099	26.8	2,423	9.8
Operating Expenditures	1,003	877	14.4	924	8.5
PPOP	1,658	1,222	35.7	1,499	10.6
P&C	470	9	5040.9	751	-37.5
PBT	1,188	1,213	-2.0	748	58.9
Tax	260	313	-17.0	178	45.9
Net Profit	810	899	-9.9	569	42.4
AUM	1,28,965	1,15,126	9.0	1,27,246	1.4
Disbursements	17,612	16,467	7.0	13,514	30.3

Source: Company; Mirae Asset Sharekhan Research

Key Ratios

Particulars	Q3FY26	Q3FY25	Y-o-Y %	Q2FY26	Rs cr Q-o-Q %
NII as % of AUM	7.1	6.6	51	6.6	51
Fee income % of AUM	1.1	0.7	45	1.0	13
Opex as % of AUM	3.1	3.0	6	2.9	21
Prov as % of AUM	1.5	0.0	143	2.4	-90
Tax Rate % of AUM	0.8	1.1	-28	0.6	25
RoA% of AUM	7.1	6.6	51	6.6	51

Source: Company; Mirae Asset Sharekhan Research

Asset Quality

Particulars	Q3FY26	Q3FY25	Y-o-Y %	Q2FY26	Rs cr Q-o-Q %
GS-3 (%)	3.80	3.93	-13	3.93	-13
NS-3 (%)	1.82	2.00	-18	1.89	-7

Source: Company; Mirae Asset Sharekhan Research

Additional Data

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Mahindra & Mahindra Ltd.	52.49
2	LIC of India	10.33
3	SBI Funds	5.44
4	HDFC AMC	5.18
5	HDFC Life Insurance	2.61
6	Sundaram AMC	2.46
7	Vanguard Group	1.93
8	SBI Life	1.59
9	Dhawan Ashish	1.05
10	Franklin Resources	0.96

Source: Bloomberg

Key management personnel

Name	Designation
Raul Rebello	MD & CEO
Pradeep Kumar Agrawal	CFO & ED
Dr. Anish Shah	Chairman

Source: Company Website

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