

**Mahindra FINANCE**
**STOCK UPDATE**

Result Update - Q3FY2026

**SECTOR**

NBFC

**COMPANY DETAILS**

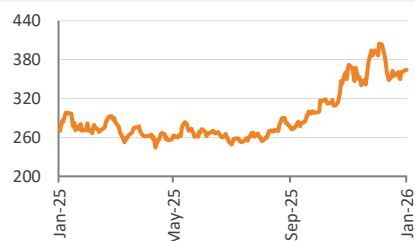
Market cap:	Rs. 52,068 cr
52-week high/low:	Rs. 412 / 235
NSE volume: (No of shares)	31.4 lakh
BSE code:	532720
NSE code:	M&MFIN
Free float: (No of shares)	65.96 cr

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

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**

	Rs cr				
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 financier 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

	Rs cr				
Particulars	Q3FY26	Q3FY25	Y-o-Y %	Q2FY26	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
<b>NII</b>	<b>2,305</b>	<b>1,911</b>	<b>20.6</b>	<b>2,112</b>	<b>9.1</b>
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
<b>PPOP</b>	<b>1,658</b>	<b>1,222</b>	<b>35.7</b>	<b>1,499</b>	<b>10.6</b>
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
<b>Net Profit</b>	<b>810</b>	<b>899</b>	<b>-9.9</b>	<b>569</b>	<b>42.4</b>
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

	Rs cr				
Particulars	Q3FY26	Q3FY25	Y-o-Y %	Q2FY26	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

	Rs cr				
Particulars	Q3FY26	Q3FY25	Y-o-Y %	Q2FY26	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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