Mahindra & Mahindra Financial Services Ltd

Improving outlook, RoE to expand

NBFC	Sharekhan code: M&MFIN

Reco/View: Buy	↔	CMP: **Rs. 376**	Price Target: **Rs. 435**	↑

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

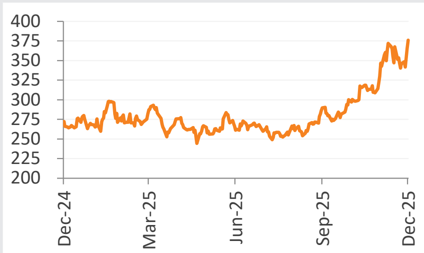
Company details

Market cap:	Rs. 52,360 cr
52-week high/low:	Rs. 387/235
NSE volume: (No of shares)	29.0 lakh
BSE code:	532720
NSE code:	M&MFIN
Free float: (No of shares)	66.0 cr

Shareholding (%)

Promoters	52.49
FII	9.59
DII	32.29
Others	5.58

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	14.3	29.7	44.1	38.2
Relative to Sensex	14.6	26.9	39.7	31.0

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- NIMs to grow 10 bps in FY26 and improve further in FY27 on lower cost of funds and rise in high-margin products.
- GNPAs seen at 3.9% in FY26, stable asset quality in two years is expected to lead for lower credit costs which will add for the profitability.
- RoA and RoE to expand to 2.2% and 13.8% by FY28 driven by NIM expansion, lower credit cost and healthy AUM growth.
- We maintain a Buy with a revised PT of Rs. 435, as the stock trades reasonably at 1.7x its FY28E BV.

Passenger and commercial vehicle sales rose 18.1% and 19.9% respectively for November 2025, and by 15.8% and 17.7% respectively, in October and the trend is set to be strong in H2FY26. Overall, Mahindra & Mahindra Financial Services Ltd's (MMFSL's) AUM is likely to be strong over FY25-28 led by lower GST rates, better monsoon and improving rural economy are key growth drivers. The RBI's repo rate cuts are also a significant structural tailwind, as the company's floating-rate liabilities reprice faster than its predominantly fixed-rate loan book, aiding a rise in NIMs toward 7%. Asset quality stabilised and revenue is diversifying into affordable housing and fee-based products.

- **Strong AUM and disbursement growth expected in H2FY26:** While overall disbursement growth was muted, tractor loans grew 41% y-o-y and the trend is expected to continue. Led by lower GST rates, a healthy monsoon, and a recovery in the rural economy, AUMs are likely to clock a 14% AUM CAGR during FY25-FY28.
- **Favorable product mix, repo rate cuts to drive NIM:** The company is poised for improvement in NIM for FY26, driven by lower funding costs and an increase of high-yield product mix. Cumulative repo rate cuts of 125 bps in recent times aid the lender as 41% of its Rs. 1.12 lakh crore borrowings are floating-rate, while its loan book is predominantly fixed. Growth in high-margin tractor financing and pre-owned vehicles further bolsters margins and overall profitability. We expect NIM to rise 10 bps to 7% in FY26 rise further FY27. The company's other income proportion has been rising which will also help to drive NIM (NIM + Other income).
- **Stable asset quality and diversification in revenues:** GNPA is set to hold at 3.9% through FY26. Stable asset quality will reduce credit costs, leading for adding to the profitability. Overall, we expect stable asset quality over the FY26-FY28. Its HFC subsidiary significantly improved its profile, with stage-3 assets falling below 3% following an ARC sale. By pivoting toward affordable housing and cross-selling insurance and mutual funds, the company is diversifying revenue streams. A strategic shift into mortgages and fee-based income effectively hedges against the cyclical volatility inherent in its core agricultural lending business.

Our Call

Valuation – Maintain Buy with a revised PT of Rs. 435: Healthy AUM growth, margin expansion, and stable asset quality should drive return ratios to 2.2% (RoA)and 13.8% (RoE) by FY28. We maintain our Buy rating with a revised PT of Rs. 435, as the stock trades reasonably at 1.7x its FY28E BV.

Key Risks

Competitive intensity from banks may put pressure on NIMs, deterioration in asset quality which may lead for higher credit costs.

Valuation (Standalone) Rs cr

Particulars	FY24	FY25	FY26E	FY27E	FY28E
NII	6,682	7,433	8,691	10,130	11,540
PAT	1,760	2,345	2,688	3,312	3,937
EPS (Rs.)	14.2	19.0	19.3	23.8	28.3
ROA (%)	1.7	1.9	1.9	2.0	2.2
ROE (%)	10.0	12.4	12.3	13.0	13.8
P/E (x)	26.3	19.8	19.4	15.8	13.3
P/B (x)	2.6	2.3	2.2	1.9	1.7

Source: Company; Mirae Asset Sharekhan estimates

Outlook and Valuation

■ Sector Outlook – Policy tailwinds to drive growth

Passenger vehicle sales are expected to see healthy demand on GST cut and lower interest rate. Currently, demand for commercial vehicles is still weak and it will be back when government focuses on infrastructure financing and uptick in economic activities. There has been an increase in penetration in used CVs. The RBI has taken supportive steps in the last 6-8 months with reduction in the repo rate, cut in CRR rate, which has increased the liquidity. Lower interest rates, GST rate cuts, good monsoon and investment on infrastructure are expected to drive demand. Besides, good monsoon will drive better recoveries.

■ Company Outlook – Better outlook for H2FY26

Mahindra & Mahindra Financial Services (MMFSL) is strategically focusing on enhancing asset quality through lower credit costs while driving growth, supported by efforts to boost other income and diversify the asset base into areas like SME, Loan Against Property (LAP), and home loans, thereby reducing reliance on the core vehicle segment. Regulatory tailwinds, including the RBI's measures (CRR/Repo rate adjustments) and government policy support (GST rate cuts), are expected to catalyze AUM growth. Specifically, further reductions in the Repo rate will significantly benefit MMFS's largely fixed-rate loan portfolio, leading to anticipated NIM expansion and improved return ratios. With these policy-driven benefits, combined with favorable demand trends and better monsoon conditions, the company forecasts a improved outlook for H2FY26.

■ Valuation – Maintain Buy with a revised PT of Rs. 435

Healthy AUM growth, margin expansion, and stable asset quality should drive return ratios to 2.2% (RoA)and 13.8% (RoE) by FY28. We maintain our Buy rating with a revised PT of Rs. 435, as the stock trades reasonably at 1.7x its FY28E BV.

About company

Mahindra Finance is a subsidiary of Mahindra and Mahindra Limited. The company is one of India's leading non-banking finance companies focusing on rural and semi-urban areas. The company finances the purchase of new and pre-owned auto and utility vehicles, tractors, cars, commercial vehicles, construction equipment, and SME Financing.

Investment theme

Mahindra Finance is well diversified NBFCS and has strong presence in rural and semi urban area. The company's earnings are expected to stabilize in FY27, also outlook for H2FY26 is better. RBI has taken step for the improvement in the financial system as reduced CRR, increased liquidity into the banking system, reduction in the repo rate which will help to expand the NIMs in FY26 and FY27. Further reduction in the repo rate will further help to increase NIM for the fixed lenders. Also, lower interest rate will help to improve the vehicle volume. Besides, the management has been working on other income growth as it has received license from IRDAI. Further, they are diversifying into other assets such as LAP and homes to reduce the dependency on vehicle finance. The company sees reduction in cost to income ratio which would be one of the key triggers for growth in return ratio. Moreover, cut in GST and better monsson will drive AUM growth in H2FY26.

Key Risks

- Competitive intensity from banks may put pressure on NIMs, deterioration in asset quality which may lead for higher credit costs.

Additional Data

Key management personnel

Name	Designation
Mr. Raul Rebello	MD & CEO
Pradeep Kumar Agrawal	CFO

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Mahindra & Mahindra Ltd	52.49
2	Life Insurance Corp of India	10.53
3	SBI Funds Management Ltd	5.69
4	HDFC Asset Management Co Ltd	5.19
5	HDFC Life Insurance Co Ltd	2.56
6	Vanguard Group Inc/The	1.92
7	Sundaram Asset Management Co Ltd	1.37
8	Tata Asset Management Pvt Ltd	1.18
9	Bandhan Mutual Fund	1.12
10	SBI Life Insurance Co Ltd	1.07

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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