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29 January 2026

**India****Financial services**

Reuters MMFS.NS  
Bloomberg MMFS IN

Priced on 28 January 2026

CNX Nifty @ 25,347.4

12M hi/lo Rs406.25/244.25

12M price target Rs425.00

±% potential +15%

Shares in issue 1,389.4m

Free float (est.) 47.8%

Market cap US\$5.3bn

3M ADV US\$17.3m

Foreign s'holding 10.1%

**Major shareholders**

M&M 52.2%

FPIs 10.1%

**Stock performance (%)**

Source: Bloomberg

**Good quarter****Beat on NIM drives overall PAT beat**

Mahindra Finance (MMFS) reported a 13% PBT beat driven primarily by a 6% NII beat. The latter was driven by a 50bp sequential improvement in reported margins, though management suggested that current margins may not be sustainable. AUM growth remains soft at 12%, but MMFS expects the business to pivot back to mid-to high-teens AUM growth. Asset quality improved, with GS2+3 down c.50bp QoQ. Management maintained its medium-term credit cost guidance of 1.5-1.7%. MMFS is considering merging its rural HFC subsidiary with itself (this could increase standalone PAT by 3-5% on a steady-state basis). We lift FY26-28CL PAT by 4-6% driven by higher NII and raise our TP from Rs350 to Rs425. Maintain O-PF.

Change in target price

**Disbursement growth led by tractors; CV drag continues**

Disbursements grew 7% YoY, led by strong 65% growth in tractors, while PVs were flat and CV disbursements declined 11%. Within the tractor segment, MMFS is gaining market share. However, overall AUM growth remains modest at 12% YoY (as AUM growth is a function of the disbursements of the past several quarters). In the CV segment, more purchases are being done by large fleet operators, who typically borrow from banks and are driving most of the new CV purchases. However, with capability building under Project Udaan now largely complete, management said the business is ready to pivot back to growth and is targeting mid-to high-teens AUM expansion over the medium term.

**Margins improve; asset quality remains healthy**

Reported NIM improved 50bp QoQ to 7.5%, supported by higher yields and a stable cost of funds. Yields rose sequentially due to the reversal of trade advances and lower interest reversals. Management did not quantify the latter but noted that the YTD NIM of 7.1% is a better reflection of the underlying business. Asset quality continued to improve, with GS2+3 reducing by about 50bp QoQ. The company has also updated its ECL model by using a longer look-back period, which should lower volatility in credit costs. Management reiterated its medium-term credit cost guidance of 1.5-1.7%.

**Business momentum improving; maintain O-PF**

As the company increases its focus on the mortgage business, management said it will evaluate merging the housing finance subsidiary with the parent if it sees clear benefits. The subsidiary had c.Rs76bn AUM and Rs200m profit in 9MFY26, and a merger, if approved, would add about 6% to MMFS's standalone AUM. We increase our PAT estimates by 4-6% over FY26-28CL and thus lift our target price from Rs350 to Rs425.

**Financials**

Year to 31 March	24A	25A	26CL	27CL	28CL
Operating profit (Rsm)	23,555	31,473	38,841	46,642	54,114
Net profit (Rsm)	17,596	23,450	28,940	34,753	40,321
NP forecast change (%)	-	-	4.2	5.9	5.9
EPS (Rs)	14.3	19.0	22.1	25.0	29.0
CL/consensus (28) (EPS%)	-	-	113	104	103
EPS growth (% YoY)	(11.4)	33.2	16.1	13.4	16.0
PB (x)	2.5	2.3	2.1	1.9	1.7
PE (x)	26.0	19.5	16.8	14.8	12.8
ROA (%)	1.7	1.9	2.1	2.2	2.3
ROE (%)	10.0	12.4	13.0	13.3	13.8

Source: www.clsacom

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## Financials at a glance

Year to 31 March	2024A	2025A	2026CL	(% YoY)	2027CL	2028CL
<b>Profit &amp; Loss (Rsm)</b>						
Interest income	131,088	153,314	172,344	12.4	193,044	219,600
Interest expense	(64,269)	(78,983)	(84,607)		(92,083)	(105,899)
<b>Net interest income</b>	<b>66,818</b>	<b>74,331</b>	<b>87,737</b>	<b>18</b>	<b>100,960</b>	<b>113,701</b>
Trading income	-	-	-		-	-
Fee income	-	-	-		-	-
Other operating income	4,537	7,433	13,414	80.5	15,868	18,318
<b>Non-interest income</b>	<b>4,537</b>	<b>7,433</b>	<b>13,414</b>	<b>80.5</b>	<b>15,868</b>	<b>18,318</b>
<b>Total op income</b>	<b>71,355</b>	<b>81,764</b>	<b>101,152</b>	<b>23.7</b>	<b>116,828</b>	<b>132,019</b>
Staff & related costs	(17,126)	(19,031)	(20,649)		(23,333)	(26,367)
Other operating expenses	(12,446)	(15,081)	(18,192)		(20,561)	(23,244)
<b>Total operating expenses</b>	<b>(29,572)</b>	<b>(34,113)</b>	<b>(38,841)</b>		<b>(43,894)</b>	<b>(49,611)</b>
<b>Preprovision OP</b>	<b>41,783</b>	<b>47,651</b>	<b>62,311</b>	<b>30.8</b>	<b>72,934</b>	<b>82,408</b>
Loan-loss provisions	(18,228)	(16,179)	(23,471)		(26,292)	(28,293)
<b>Operating profit</b>	<b>23,555</b>	<b>31,473</b>	<b>38,841</b>	<b>23.4</b>	<b>46,642</b>	<b>54,114</b>
Other income/expenses	-	0	0		0	-
<b>Profit before tax</b>	<b>23,555</b>	<b>31,473</b>	<b>38,841</b>	<b>23.4</b>	<b>46,642</b>	<b>54,114</b>
Taxation	(5,959)	(8,022)	(9,900)		(11,889)	(13,794)
Preference dividends	-	-	-		-	-
<b>Profit for period</b>	<b>17,596</b>	<b>23,450</b>	<b>28,940</b>	<b>23.4</b>	<b>34,753</b>	<b>40,321</b>
Minority interest	0	0	0		0	0
<b>Net profit</b>	<b>17,596</b>	<b>23,450</b>	<b>28,940</b>	<b>23.4</b>	<b>34,753</b>	<b>40,321</b>
<b>Adjusted profit</b>	<b>17,596</b>	<b>23,450</b>	<b>28,940</b>	<b>23.4</b>	<b>34,753</b>	<b>40,321</b>
<b>Balance sheet (Rsm)</b>						
	2024A	2025A	2026CL	(% YoY)	2027CL	2028CL
Net loans	991,952	1,162,140	1,299,920	11.9	1,467,733	1,680,657
Cash & equivalents	26,891	55,359	21,746	(60.7)	48,196	78,959
Placements with other banks	-	-	-		-	-
Other interest earning assets	-	-	-		-	-
<b>Total interest earning assets</b>	<b>1,018,843</b>	<b>1,217,499</b>	<b>1,321,665</b>	<b>8.6</b>	<b>1,515,929</b>	<b>1,759,616</b>
Net fixed assets	9,308	11,149	12,264	10	12,877	13,521
Intangible assets	0	0	0		0	0
Other assets	123,441	126,834	130,258	2.7	135,509	141,810
<b>Total non-interest earning assets</b>	<b>132,749</b>	<b>137,983</b>	<b>142,522</b>	<b>3.3</b>	<b>148,386</b>	<b>155,331</b>
<b>Total assets</b>	<b>1,151,592</b>	<b>1,355,482</b>	<b>1,464,188</b>	<b>8</b>	<b>1,664,315</b>	<b>1,914,947</b>
Customer deposits	0	0	0		0	0
Deposits from banks	-	-	-		-	-
Other int-bearing liabs	922,252	1,128,735	1,182,927	4.8	1,350,314	1,563,011
<b>Total int-bearing liabs</b>	<b>922,252</b>	<b>1,128,735</b>	<b>1,182,927</b>	<b>4.8</b>	<b>1,350,314</b>	<b>1,563,011</b>
Other non-int-bearing liabs	47,766	28,625	32,919	15	37,856	43,535
Shareholder funds	181,575	198,122	248,342	25.3	276,145	308,401
Other equity capital	0	0	0		0	0
<b>Total liabs &amp; equity</b>	<b>1,151,592</b>	<b>1,355,482</b>	<b>1,464,188</b>	<b>8</b>	<b>1,664,315</b>	<b>1,914,947</b>
Total tier 1 capital	163,080	178,351	198,609	11.4	226,412	258,668
<b>Total capital</b>	<b>187,704</b>	<b>214,375</b>	<b>237,876</b>	<b>11</b>	<b>269,212</b>	<b>305,321</b>
Risk weighted assets	995,319	1,169,678	1,308,351	11.9	1,541,119	1,764,689
<b>Average Risk weighted assets</b>	<b>882,969</b>	<b>1,082,498</b>	<b>1,239,015</b>	<b>14.5</b>	<b>1,424,735</b>	<b>1,652,904</b>
<b>Ratio analysis</b>						
	2024A	2025A	2026CL	(% YoY)	2027CL	2028CL
Net int inc growth (%)	9.4	11.2	18.0		15.1	12.6
Non-int inc growth (%)	21.5	63.8	80.5		18.3	15.4
Operating inc growth (%)	10.1	14.6	23.7		15.5	13.0
Net profit growth (%)	(11.3)	33.3	23.4		20.1	16.0
Net interest margin (%)	0.0	0.0	0.0		0.0	0.0
Cost/income (%)	41.4	41.7	38.4		37.6	37.6
Loans/deposits (%)	0.0	0.0	0.0		0.0	0.0
Gross NPLs/total loans (%)	3.5	3.8	3.8		3.7	3.4
Loan provisions/NPLs (%)	63.2	51.2	53.0		53.0	53.0
ROA (%)	1.7	1.9	2.1		2.2	2.3
ROE (%)	10.0	12.4	13.0		13.3	13.8
Tier 1 CAR (%)	16.4	15.2	15.2		14.7	14.7
CAR (%)	18.9	18.3	18.2		17.5	17.3

Source: www.clsacom

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Great



Solid



Meh

## Key charts

Figure 1

3QFY26 summary					
(Rs m)	3QFY25	2QFY26	3QFY26	%YoY	%QoQ
Interest income	39,572	41,779	44,071	11%	5%
Interest Expended	20,459	20,663	21,026	3%	2%
<b>Net Interest Income</b>	<b>19,113</b>	<b>21,116</b>	<b>23,045</b>	<b>21%</b>	<b>9%</b>
Other operating income	1,858	2,948	3,465	86%	18%
Other Income	14	166	96	593%	(42%)
Total Income	20,985	24,230	26,606	27%	10%
Total opex	8,768	9,240	10,030	14%	9%
Operating profit	12,217	14,989	16,576	36%	11%
Provisions	91	7,514	4,699	5041%	(37%)
Profit before tax	12,126	7,475	11,878	(2%)	59%
Tax	3,131	1,782	2,600	(17%)	46%
Profit after tax	8,995	5,693	9,278	3%	63%
Rs bn					
AUM	1,151	1,272	1,290	12%	1%
Loans	1,116	1,232	1,251	12%	2%
Borrowings	1,046	1,148	1,160	11%	1%
Networth	192	230	238	24%	4%
Key ratios					
Yield on loans (%)	13.9	13.4	13.8	-0.1ppt	0.4ppt
Cost of fund	7.9	7.4	7.4	-0.4ppt	0ppt
NIM	6.7	6.8	7.2	0.5ppt	0.4ppt
C/I ratio	41.8	38.1	37.7	-4.1ppt	-0.4ppt
ROE	19.2	9.8	13.8	-5.3ppt	4ppt
ROA	2.8	1.6	2.3	-0.5ppt	0.6ppt
Asset quality					
Gross Stage 3 Loans (%)	3.9	3.9	3.8	-0.1ppt	-0.1ppt
Gross Stage 3 Loans (Rs bn)	45.3	50.1	49.1	8%	(2%)
ECL Provision Stage 3 (%)	50.1	53.0	53.0	2.9ppt	0ppt
Gross Stage 2 Loans (%)	6.3	5.8	5.4	-0.9ppt	-0.4ppt
Gross Stage 2 Loans (Rs bn)	72.3	73.6	69.7	(4%)	(5%)
ECL Provision Stage 2 (%)	9.1	9.4	8.0	-1.1ppt	-1.4ppt
Credit cost	0.0	2.4	1.5	1.4ppt	-0.9ppt

Source: MMFS, CLSA

Figure 2

Actuals versus estimates			
Particulars	3QFY26CL	3QFY26	v/s Est
Interest Income	43,081	44,071	2
Interest Expenses	21,315	21,026	-1
<b>Net Interest Income</b>	<b>21,766</b>	<b>23,045</b>	<b>6</b>
Other Income	3,295	3,561	8
<b>Total Income</b>	<b>25,061</b>	<b>26,606</b>	<b>6</b>
Operating Expenses	9,749	10,030	3
<b>Operating Profit</b>	<b>15,312</b>	<b>16,576</b>	<b>8</b>
Provisions and Cont.	4,832	4,699	-3
<b>Profit before Tax</b>	<b>10,480</b>	<b>11,878</b>	<b>13</b>

Source: MMFS, CLSA

NII is up 9% QoQ

Adjusted for trade advances, AUM growth is 5% QoQ

Sequential NIM expansion

PPOP beat driven by NII beat

**Conference call takeaways****Business updates**

- Will now pivot to growth, given that capability building is done and equity capital is there. Focus is on gaining market share. It expects mid- to high-teens AUM growth over the medium term.
- By FY30, the company target to reduce the share of vehicle loans from 88% of consolidated AUM to 70% of consolidated AUM.
- Approaching the near-term target RoA of 2% for the business model. After the company hits this, it will look at future targets.
- Adjusted for trade advances, AUM growth is 5% QoQ.
- Rural demand for entry-level PVs has waned a bit post the festive season. Nevertheless, rural demand is still decent. Optimistic on demand in 4QFY26 too.
- Will evaluate the merits of merging the rural HFC business into the parent.

**Funding/margins**

- Current NIM of 7.5% does have one-time benefits (but did not disclose what). Management advised to look at the 9MFY26 NIM of 7.1%.
- Increase in yields QoQ is due to trade advances in the prior quarter and lower interest reversals in 3Q.

**Asset quality**

- Management overlay buffer is Rs6.35bn (part of Stage 3 provisions).
- Reiterated that the business model will work at 1.5-1.7% credit costs (on assets).
- For ECL refresh, MMFS moved from 42-month rolling period to a longer time period.

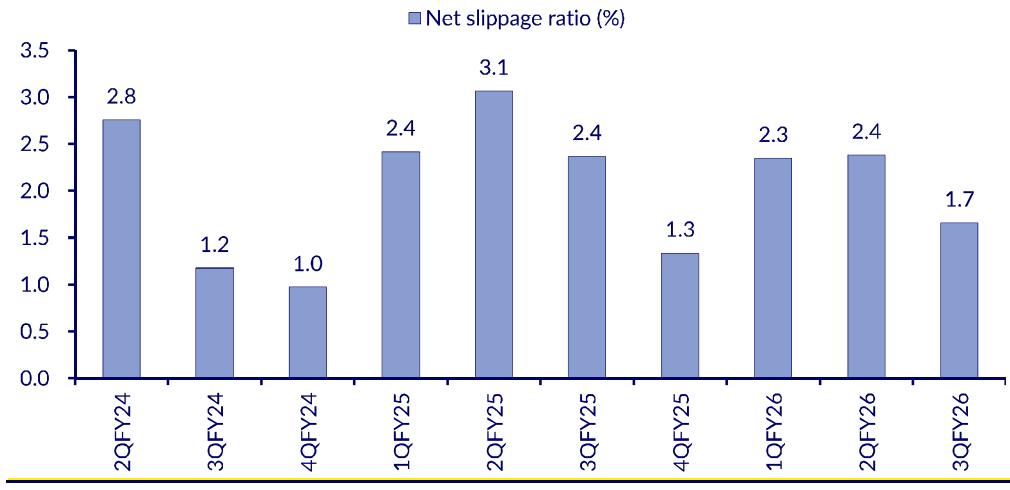
**Others**

- Most of the capability building that was ongoing in the past two years (Project Udaan) is not completed
- Customer onboarding is now paperless
- No. 1 tractor financier by a fair margin
- HFC subsidiary has 500 branches
- Tractor growth pickup - created two different verticals for M&M and Swaraj. Creating better distribution has helped improve the growth.
- In the CV/CE business, large fleet operators are gaining share from small operators. Hence, more business is going to banks rather than NBFCs.
- Not looking to merge the insurance broking subsidiary with the parent.

Net slippage ratio improved sequentially

Figure 3

Net slippage ratio (%)



Source: Mahindra Finance, CLSA

Figure 4

7% YoY disbursement growth in 3QFY26

■ Disbursements (Rs b)

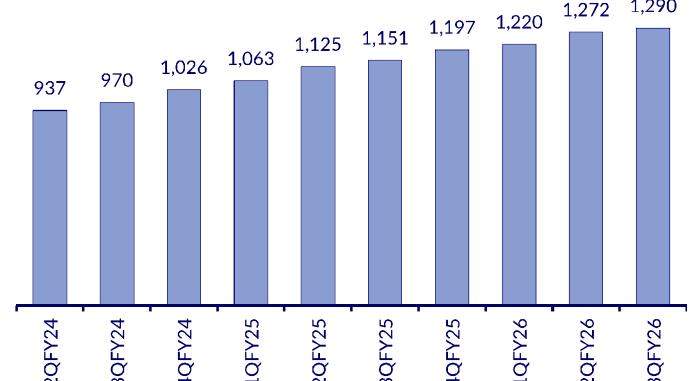


Source: Mahindra Finance, CLSA

Figure 5

Loan growth at 12% YoY

■ Loan book (Rs b)



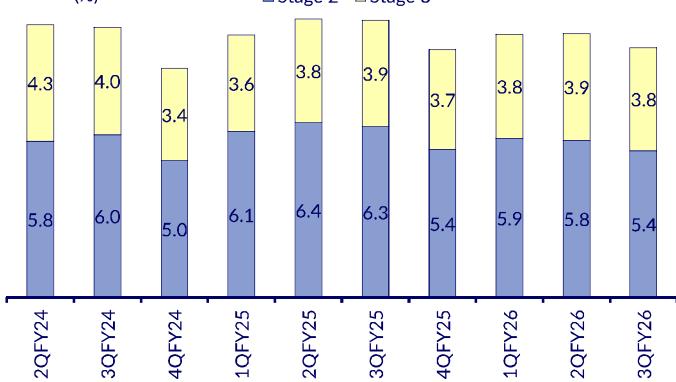
Source: Mahindra Finance, CLSA

Figure 6

GS2 + GS3 ratios down 50bps QoQ

(%)

■ Stage 2 ■ Stage 3

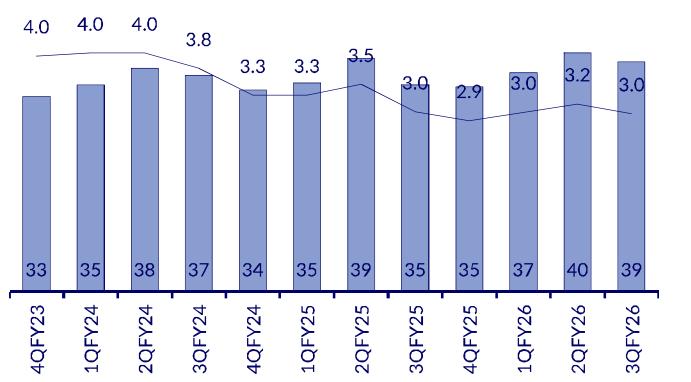


Source: Mahindra Finance, CLSA

Figure 7

ECL provisions decreased by 20bps QoQ

■ ECL Provisions (Rs bn) — % of loans

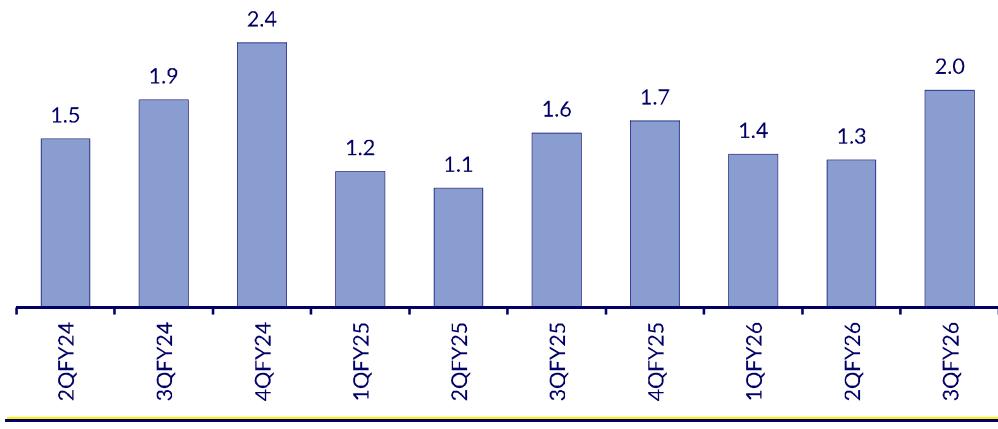


Source: Mahindra Finance, CLSA

Figure 8

Write-offs were at 2% of average loans (annualised)

■ Write off % of average loans (annualised)

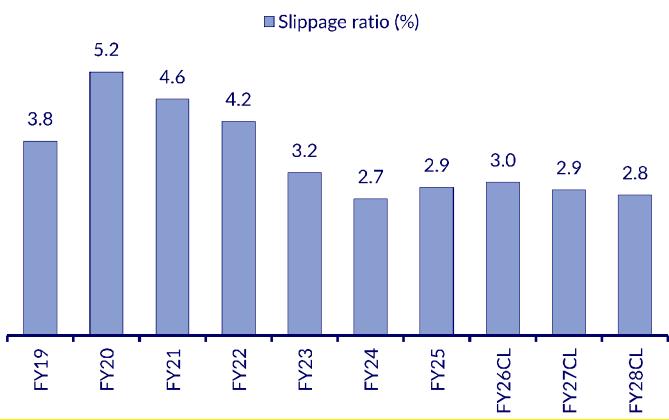


Source: Mahindra Finance, CLSA

Figure 9

We expect a gross slippage ratio of 2.8-3% in FY26-28CL

■ Slippage ratio (%)

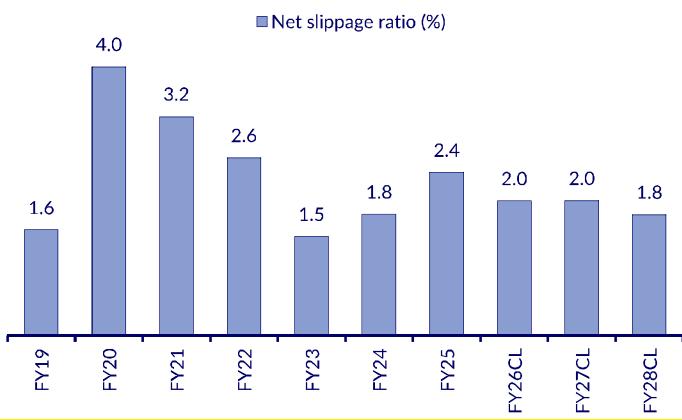


Source: Mahindra Finance, CLSA

Figure 10

Net slippage should be 1.8-2% over the next three years

■ Net slippage ratio (%)



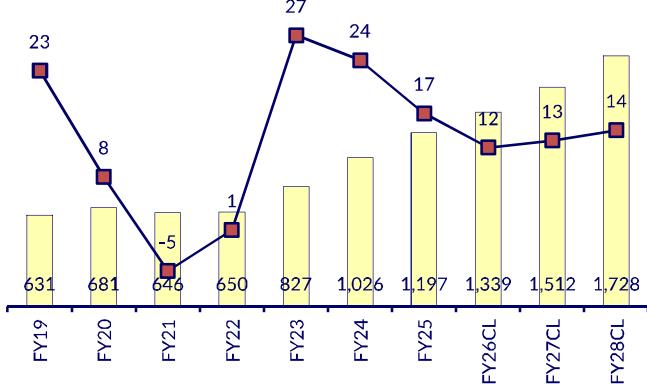
Source: Mahindra Finance, CLSA

Figure 11

We expect 12-14% AUM growth over FY26-28CL

■ AUM (Rs b)

■ Growth (%)



Source: Mahindra Finance, CLSA

Figure 12

We expect net stage 3 (%) ratio to be around 1.9-2%

■ NS 3 ratio



Source: Mahindra Finance, CLSA

Figure 13

## Change in estimates driven by higher margins

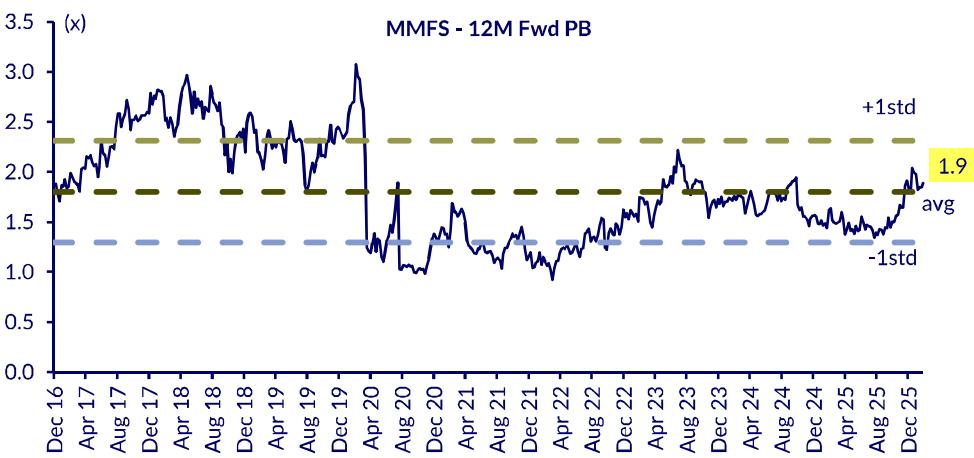
Rsbn	Old estimates			New estimates			Change		
	FY26CL	FY27CL	FY28CL	FY26CL	FY27CL	FY28CL	FY26CL	FY27CL	FY28CL
NII	86.5	99.1	111.8	87.7	101.0	113.7	1%	2%	2%
Other Income	12.7	15.1	17.4	13.4	15.9	18.3	5%	5%	5%
Total Income	99.2	114.2	129.2	101.2	116.8	132.0	2%	2%	2%
Operating Expenses	38.2	43.7	49.8	38.8	43.9	49.6	2%	0%	(0%)
Operating Profits	61.0	70.4	79.4	62.3	72.9	82.4	2%	4%	4%
Provisions	23.7	26.4	28.3	23.5	26.3	28.3	(1%)	(0%)	0%
PBT	37.3	44.0	51.1	38.8	46.6	54.1	4%	6%	6%
Tax	9.5	11.2	13.0	9.9	11.9	13.8	4%	6%	6%
PAT	27.8	32.8	38.1	28.9	34.8	40.3	4%	6%	6%
RoA	2.0	2.1	2.1	2.1	2.2	2.3			
RoE	12.5	12.6	13.2	13.0	13.3	13.8			

Source: CLSA

It is trading close to its long-term average multiple

Figure 14

## One-year forward PB multiple



Source: Bloomberg, CLSA

## Valuation

Figure 15

## Cost of equity calculation

	Value	Notes
Risk free rate (%)	6.25%	CLSA India market level
Market risk premium (%)	5.50%	CLSA India market level
Beta	1.10	Based on historical trends
<b>Cost of equity (%)</b>	<b>12.30%</b>	

Source: CLSA

Figure 16

Residual income model explicit forecasts - New																
Rsbn	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	Term.	
Risk free rate	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%
Risk premium	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Beta	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Required Cost of Equity	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%
Networth	276	308	347	391	443	502	570	648	738	842	962	1,101	1,259	1,440	1,660	
ROEs	13.3%	13.8%	14.7%	15.1%	15.4%	15.7%	16.0%	16.2%	16.4%	16.6%	16.8%	16.9%	16.9%	16.9%	16.9%	16.9%
PAT	35	40	48	56	64	74	86	98	113	131	151	175	200	228	262	
Required return	32	36	40	45	51	58	66	75	85	97	111	127	145	166	191	
Residual income	2	4	8	10	13	16	20	24	28	34	40	48	55	62	72	
Discounted Residual income	1	4	6	7	8	8	9	10	11	11	12	13	13	13	205	

Source: CLSA

Figure 17

Target price calculation - New				
Rsbn	Value	Contribution of value	Avg. ROE assumption	Avg. COE assumption
Sep'26 Networth	262	44.3%		
PV of RI over FY27-30CL	18	3.0%	14.2%	12.30%
PV of RI over FY31-40CL	107	18.1%	16.4%	12.30%
Terminal value	205	34.6%	16.9%	12.30%
Total value of the firm	592	100.0%		
Total number of shares (bn)	1.4			
Value per share	426			
<b>Target price (rounded off)</b>	<b>425</b>			
Implied PB- Sep'27	2.0			
Implied PE - Sep'27	15.8			
Terminal growth assumption	5.0%			

Source: MMFS, CLSA

Figure 18

Residual income model explicit forecasts - Old																
Rsbn	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	Term.	
Risk free rate	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%
Risk premium	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Beta	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Required Cost of Equity	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%
Networth	274	304	339	380	426	479	540	609	688	778	882	1,001	1,136	1,289	1,473	
ROEs	12.6%	13.2%	13.6%	14.0%	14.3%	14.6%	14.9%	15.1%	15.3%	15.5%	15.7%	15.8%	15.8%	15.8%	15.8%	15.8%
PAT	33	38	44	50	58	66	76	87	99	114	130	149	169	192	219	
Required return	32	36	40	44	50	56	63	71	80	90	102	116	131	149	170	
Residual income	1	3	4	6	8	10	13	16	19	23	28	33	38	43	49	
Discounted Residual income	0	2	3	4	5	5	6	7	7	8	8	9	9	9	140	

Source: CLSA

Figure 19

Target price calculation - Old				
Rsbn	Value	Contribution of value	Avg. ROE assumption	Avg. COE assumption
Sep'26 Networth	261	53.9%		
PV of RI over FY27-30CL	10	2.0%	13.3%	12.30%
PV of RI over FY31-40CL	73	15.1%	15.3%	12.30%
Terminal value	140	29.0%	15.8%	12.30%
Total value of the firm	484	100.0%		
Total number of shares (bn)	1.4			
Value per share	348			
<b>Target price (rounded off)</b>	<b>350</b>			
Implied PB- Sep'27	1.7			
Implied PE - Sep'27	13.6			
Terminal growth assumption	5.0%			

Source: Mahindra Finance, CLSA

## Investment thesis

Mahindra Finance is a leading NBFC with a strong and diversified liability mix. Loan growth has been decent; however, margin compression and management efforts to improve underwriting have reduced profits in the short term. However, the prospects of the company remain intact in our view and should provide room for rerating.

## Catalysts

Improvement in growth through strong festive demand and a reduction in GNPLs are key medium-term catalysts.

## Valuation details

We use a residual income model to value the firm, as low and variable dividend payouts render dividend-based approaches less robust. We find an equity charge using a 12.3% cost of equity built up from a 6.25% risk-free rate and 5.5% risk premium, as used across our India coverage, and a beta of 1.1, based off a blend of observed betas over different historical periods. We set a terminal growth rate of 5% based on macro factors such as India's higher GDP growth and low auto penetration.

## Investment risks

A slowdown in loan growth and decline in NIMs are key risks.

## Detailed financials

### Profit & Loss (Rsm)

Year to 31 March	2022A	2023A	2024A	2025A	2026CL	2027CL	2028CL
Interest income	94,756	106,826	131,088	153,314	172,344	193,044	219,600
Interest expense	(39,202)	(45,767)	(64,269)	(78,983)	(84,607)	(92,083)	(105,899)
<b>Net interest income</b>	<b>55,554</b>	<b>61,059</b>	<b>66,818</b>	<b>74,331</b>	<b>87,737</b>	<b>100,960</b>	<b>113,701</b>
Trading income	-	-	-	-	-	-	-
FX gains/(losses)	-	-	-	-	-	-	-
Fee/Commission income	-	-	-	-	-	-	-
Other operating income	2,432	3,735	4,537	7,433	13,414	15,868	18,318
<b>Non-interest income</b>	<b>2,432</b>	<b>3,735</b>	<b>4,537</b>	<b>7,433</b>	<b>13,414</b>	<b>15,868</b>	<b>18,318</b>
<b>Total op income</b>	<b>57,986</b>	<b>64,794</b>	<b>71,355</b>	<b>81,764</b>	<b>101,152</b>	<b>116,828</b>	<b>132,019</b>
Staff related expenses	(11,714)	(15,843)	(17,126)	(19,031)	(20,649)	(23,333)	(26,367)
Property related expenses	(1,268)	(1,872)	(2,287)	(2,734)	(3,281)	(3,609)	(3,970)
Other operating expenses	(7,752)	(9,561)	(10,159)	(12,347)	(14,911)	(16,952)	(19,274)
<b>Total operating expenses</b>	<b>(20,734)</b>	<b>(27,276)</b>	<b>(29,572)</b>	<b>(34,113)</b>	<b>(38,841)</b>	<b>(43,894)</b>	<b>(49,611)</b>
<b>Preprovision OP</b>	<b>37,252</b>	<b>37,518</b>	<b>41,783</b>	<b>47,651</b>	<b>62,311</b>	<b>72,934</b>	<b>82,408</b>
Specific provision for loans	(20,526)	(15,319)	(17,117)	(16,140)	(22,271)	(24,312)	(26,016)
General provision for loans	(3,157)	5,327	(1,111)	(39)	(1,200)	(1,980)	(2,277)
Other provisions	0	0	0	-	0	0	0
<b>Loan-loss provisions</b>	<b>(23,683)</b>	<b>(9,992)</b>	<b>(18,228)</b>	<b>(16,179)</b>	<b>(23,471)</b>	<b>(26,292)</b>	<b>(28,293)</b>
<b>Operating profit</b>	<b>13,569</b>	<b>27,526</b>	<b>23,555</b>	<b>31,473</b>	<b>38,841</b>	<b>46,642</b>	<b>54,114</b>
Associate income	-	-	-	-	-	-	-
Other exceptional items	0	(545)	0	0	0	0	0
Other income/expense	0	0	0	0	0	0	0
<b>Profit before tax</b>	<b>13,569</b>	<b>26,981</b>	<b>23,555</b>	<b>31,473</b>	<b>38,841</b>	<b>46,642</b>	<b>54,114</b>
Taxation	(3,682)	(7,138)	(5,959)	(8,022)	(9,900)	(11,889)	(13,794)
<b>Profit after tax (before preference dividends)</b>	<b>9,888</b>	<b>19,843</b>	<b>17,596</b>	<b>23,450</b>	<b>28,940</b>	<b>34,753</b>	<b>40,321</b>
Preference dividends	-	-	-	-	-	-	-
<b>Profit for period</b>	<b>9,888</b>	<b>19,843</b>	<b>17,596</b>	<b>23,450</b>	<b>28,940</b>	<b>34,753</b>	<b>40,321</b>
Minority interest	0	0	0	0	0	0	0
<b>Net profit</b>	<b>9,888</b>	<b>19,843</b>	<b>17,596</b>	<b>23,450</b>	<b>28,940</b>	<b>34,753</b>	<b>40,321</b>
<b>Adjusted profit</b>	<b>9,888</b>	<b>20,244</b>	<b>17,596</b>	<b>23,450</b>	<b>28,940</b>	<b>34,753</b>	<b>40,321</b>
EPS (Rs)	8.0	16.1	14.3	19.0	22.1	25.0	29.0
Adjusted EPS (Rs)	8.0	16.4	14.3	19.0	22.1	25.0	29.0
DPS (Rs)	3.6	6.0	6.3	6.3	6.2	5.0	5.8

### Profit & loss ratios

Year to 31 March	2022A	2023A	2024A	2025A	2026CL	2027CL	2028CL
<b>Growth (%)</b>							
Net int inc growth (%)	0.4	9.9	9.4	11.2	18.0	15.1	12.6
Non-int inc growth (%)	(2.7)	53.6	21.5	63.8	80.5	18.3	15.4
Operating inc growth (%)	0.3	11.7	10.1	14.6	23.7	15.5	13.0
Operating exp growth (%)	27.0	31.5	8.4	15.4	13.9	13.0	13.0
Loan provision expense growth	(36.6)	(57.8)	82.4	(11.2)	45.1	12.0	7.6
Net profit growth (%)	195.0	100.7	(11.3)	33.3	23.4	20.1	16.0
EPS growth (% YoY)	121.1	100.6	(11.4)	33.2	16.1	13.4	16.0
Adj EPS growth (% YoY)	124.3	104.6	(13.1)	33.2	16.1	13.4	16.0
DPS growth (% YoY)	350.0	66.7	5.0	0.0	(0.8)	(19.9)	16.0
<b>Margins (%)</b>							
Spread (%)	(6.9)	(7.0)	(7.7)	(7.7)	(7.3)	(7.3)	(7.3)
Net interest margin (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Returns (%)</b>							
ROA (%)	1.3	2.4	1.7	1.9	2.1	2.2	2.3
ROE (%)	6.5	12.1	10.0	12.4	13.0	13.3	13.8
<b>Other key ratios (%)</b>							
Non-interest inc/op inc (x)	4.2	5.8	6.4	9.1	13.3	13.6	13.9
Cost/income (%)	35.8	42.1	41.4	41.7	38.4	37.6	37.6
Staff costs/op costs (%)	56.5	58.1	57.9	55.8	53.2	53.2	53.1
Provision exp/loans (%)	3.9	1.3	1.8	1.4	1.8	1.8	1.7
Earnings payout ratio (%)	44.9	37.3	44.2	33.2	28.3	20.0	20.0

Source: [www.clsacom](http://www.clsacom)

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**Balance sheet (Rsm)**

Year to 31 March	2022A	2023A	2024A	2025A	2026CL	2027CL	2028CL
Gross loans	604,444	794,547	991,952	1,162,140	1,299,920	1,467,733	1,680,657
Loan loss reserve	0	0	0	0	0	0	0
<b>Net loans</b>	<b>604,444</b>	<b>794,547</b>	<b>991,952</b>	<b>1,162,140</b>	<b>1,299,920</b>	<b>1,467,733</b>	<b>1,680,657</b>
Cash & equivalents	41,507	28,321	26,891	55,359	21,746	48,196	78,959
Placements with other banks	-	-	-	-	-	-	-
Other interest earning assets	-	-	-	-	-	-	-
<b>Total interest earning assets</b>	<b>645,951</b>	<b>822,868</b>	<b>1,018,843</b>	<b>1,217,499</b>	<b>1,321,665</b>	<b>1,515,929</b>	<b>1,759,616</b>
Net fixed assets	3,929	6,950	9,308	11,149	12,264	12,877	13,521
Intangible assets	0	0	0	0	0	0	0
Other assets	103,005	132,347	123,441	126,834	130,258	135,509	141,810
<b>Total non-interest earning assets</b>	<b>106,934</b>	<b>139,297</b>	<b>132,749</b>	<b>137,983</b>	<b>142,522</b>	<b>148,386</b>	<b>155,331</b>
<b>Total assets</b>	<b>752,885</b>	<b>962,165</b>	<b>1,151,592</b>	<b>1,355,482</b>	<b>1,464,188</b>	<b>1,664,315</b>	<b>1,914,947</b>
Current deposits	-	-	-	-	-	-	-
Savings deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
<b>Customer deposits</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Deposits from banks	-	-	-	-	-	-	-
Other int-bearing liabs	558,139	749,459	922,252	1,128,735	1,182,927	1,350,314	1,563,011
<b>Total int-bearing liabs</b>	<b>558,139</b>	<b>749,459</b>	<b>922,252</b>	<b>1,128,735</b>	<b>1,182,927</b>	<b>1,350,314</b>	<b>1,563,011</b>
Other non-int-bearing liabs	38,467	41,818	47,766	28,625	32,919	37,856	43,535
<b>Total liabilities</b>	<b>596,606</b>	<b>791,276</b>	<b>970,017</b>	<b>1,157,360</b>	<b>1,215,846</b>	<b>1,388,170</b>	<b>1,606,545</b>
Share capital	2,466	2,467	2,469	2,470	2,779	2,779	2,779
Retained earnings	-	-	-	-	-	-	-
Reserves	153,813	168,422	179,106	195,653	245,563	273,366	305,622
Treasury stock	-	-	-	-	-	-	-
<b>Shareholder funds</b>	<b>156,279</b>	<b>170,889</b>	<b>181,575</b>	<b>198,122</b>	<b>248,342</b>	<b>276,145</b>	<b>308,401</b>
Minorities/other equity	0	0	0	0	0	0	0
<b>Total equity</b>	<b>156,279</b>	<b>170,889</b>	<b>181,575</b>	<b>198,122</b>	<b>248,342</b>	<b>276,145</b>	<b>308,401</b>
<b>Total liabs &amp; equity</b>	<b>752,885</b>	<b>962,166</b>	<b>1,151,592</b>	<b>1,355,482</b>	<b>1,464,188</b>	<b>1,664,315</b>	<b>1,914,947</b>
Non-performing loans	49,760	37,170	34,910	44,140	49,328	54,610	57,018
Credit risk	-	-	-	-	-	-	-
Operational risk	-	-	-	-	-	-	-
Market risk	-	-	-	-	-	-	-
<b>Risk weighted assets</b>	<b>564,826</b>	<b>770,619</b>	<b>995,319</b>	<b>1,169,678</b>	<b>1,308,351</b>	<b>1,541,119</b>	<b>1,764,689</b>
Average Risk weighted assets	567,133	667,722	882,969	1,082,498	1,239,015	1,424,735	1,652,904
Total tier 1 capital	136,941	153,079	163,080	178,351	198,609	226,412	258,668
<b>Total capital</b>	<b>156,767</b>	<b>173,531</b>	<b>187,704</b>	<b>214,375</b>	<b>237,876</b>	<b>269,212</b>	<b>305,321</b>
BVPS (Rs)	126.7	138.5	147.1	160.4	178.7	198.8	222.0

**Balance sheet ratios**

Year to 31 March	2022A	2023A	2024A	2025A	2026CL	2027CL	2028CL
<b>Growth (%)</b>							
Loan growth (%)	0.8	31.5	24.8	17.2	11.9	12.9	14.5
Deposits growth (%)	nm	nm	nm	nm	nm	nm	nm
Loans/deposits (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Growth in total assets (% YoY)	(2.3)	27.8	19.7	17.7	8.0	13.7	15.1
Risk-wtd assets growth (%)	(0.8)	36.4	29.2	17.5	11.9	17.8	14.5
<b>Asset quality</b>							
Provision expense/loans (%)	3.9	1.3	1.8	1.4	1.8	1.8	1.7
Gross NPLs/total loans (%)	8.2	4.7	3.5	3.8	3.8	3.7	3.4
Loan provisions/NPLs (%)	58.1	59.5	63.2	51.2	53.0	53.0	53.0
NPL growth/loan growth	(1,688.4)	(80.4)	(24.5)	154.1	99.1	82.9	30.4
Loan provision growth/loan provision expense growth	37.6	40.7	(0.3)	(21.4)	35.0	89.1	57.9
<b>Capital Adequacy</b>							
Tier 1 CAR (%)	24.2	19.9	16.4	15.2	15.2	14.7	14.7
CAR (%)	27.8	22.5	18.9	18.3	18.2	17.5	17.3
RWA/total assets (%)	75.0	80.1	86.4	86.3	89.4	92.6	92.2
Equity/total assets (%)	20.8	17.8	15.8	14.6	17.0	16.6	16.1

Source: www.clsacom

**DuPont analysis**

Year to 31 March	2022A	2023A	2024A	2025A	2026CL	2027CL	2028CL
Net int income/assets (%)	7.3	7.1	6.3	5.9	6.2	6.5	6.4
Non-int income/assets (%)	0.3	0.4	0.4	0.6	1.0	1.0	1.0
Total op income/assets (%)	7.6	7.6	6.8	6.5	7.2	7.5	7.4
Op expenses/assets (%)	2.7	3.2	2.8	2.7	2.8	2.8	2.8
Op profit/assets (%)	10.3	10.7	9.5	9.2	9.9	10.3	10.1
Provision expenses/assets (%)	(3.1)	(1.2)	(1.7)	(1.3)	(1.7)	(1.7)	(1.6)
Other items/assets (%)	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0
Tax expense/assets (%)	(2.0)	(2.5)	(2.0)	(2.0)	(2.1)	(2.2)	(2.2)
ROA (%)	1.3	2.4	1.7	1.9	2.1	2.2	2.3
ROA incl other items/assets (%)	5.3	7.0	5.8	5.9	6.2	6.4	6.4
Leverage (x)	5.0	5.2	6.0	6.6	6.3	6.0	6.1
ROE (%)	6.5	12.1	10.0	12.4	13.0	13.3	13.8

Source: www.clsacom

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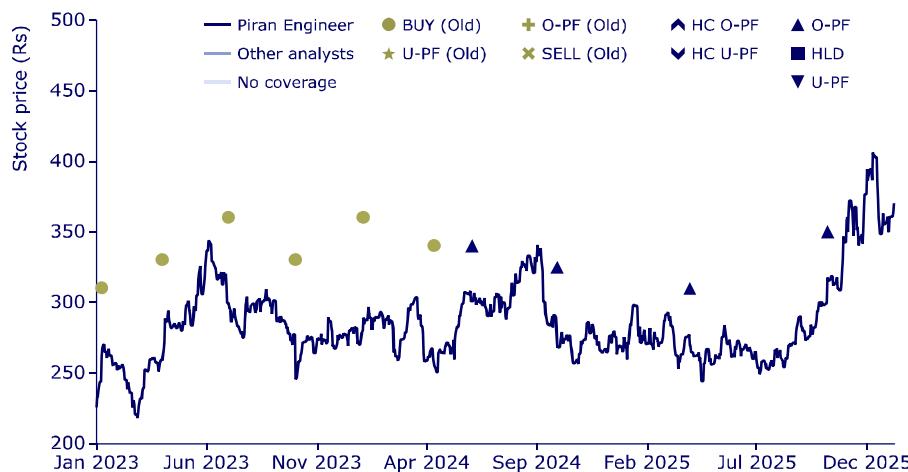
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Mahindra Finance (MMFS IN - RS370.15 - OUTPERFORM)

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**Important disclosures****Recommendation history of Mahindra & Mahindra Fin Secs MMFS IN**

Date	Rec	Target	Date	Rec	Target
LATEST	O-PF	425.00	31 Jan 2024	BUY	360.00
29 Oct 2025	O-PF	350.00	30 Oct 2023	BUY	330.00
23 Apr 2025	O-PF	310.00	30 Jul 2023	BUY	360.00
23 Oct 2024	O-PF	325.00	30 Apr 2023	BUY	330.00
28 Jun 2024	O-PF	340.00	06 Feb 2023	BUY	310.00
07 May 2024	BUY	340.00			

Note: At 6pm (HKT) on 28 June 2024, we changed our ratings to Outperform (O-PF), Hold (HLD) and Underperform (U-PF); and on 16 December 2024, we added the ratings: High-Conviction Outperform (HC O-PF) and High-Conviction Underperform (HC U-PF). Please see Key to CLSA investment rankings below for details. Source: CLSA

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