

Mahindra & Mahindra Financial (MMFS) - BUY

Company Update

Current Market Price (CMP) Rs.353	Fair Value (FV) Rs.400
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Rationale:

- Mahindra Finance’s (MMFS) operational transformation improves its agility, potentially increasing scalability and supporting diversification.
- Fee income initiatives are gathering steam, driven by capacities freed up post the transformation.
- The merger with HFC does not have immediate tangible benefits but helps expand the footprint and franchise.
- We expect the company to deliver 16-17% core PBT growth (FY27-29E) with RoE 15%+ by FY29E.
- We raise estimates to bake in higher non-interest income; retain BUY with a FV of Rs400.

 Positives:

- We visited MMFS’s branch and central processing center (CPC) on Friday.
- Co continues to improve its automation program on one side and divert resources to more productive (revenue-generating activities) on the other.
- AI engine is heavy lifting the manual verification efforts at the Central Processing Unit (CPC), further reducing disbursement timelines.
- MMFS branch staff, formerly engaged in operational activities, is now freed up. The company has diverted resources to cross-selling.
- The company reported a 40% yoy increase in fee/commission (including dividend) income in Q1FY27 and 55% growth in 2HFY26.

 Negatives:

- NIM to compress marginally in later years.

(HFC: Housing Finance Co., ROE: Return on Equity, ROE: Return on Equity)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com).Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

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Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
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NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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