kotak neo

Dated: 21 Sep 2026

Mahindra & Mahindra Financial (MMFS) - BUY

Company Update

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

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)

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

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
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
UNDER REVIEW	–	Kotak Securities is reassessing the stock due to material developments or changes that may affect its investment case, valuation or financial outlook. During this period, the stock does not carry an active Buy, Hold, or Sell recommendation. The rating will be reinstated or revised upon completion of the review.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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