

We upgrade MMFS to BUY with our revised Sep-25E TP of Rs360 (implying FY26E P/BV of 2x; up from Rs280 earlier), as we see the inflection point for MMFS in terms of growth, asset quality, and profitability to be around the corner. As the company's Mission 2025 nears its finishing line, it has been a case of 'glass half full'. With Q2FY25 business updates already lowering expectations on growth and the asset quality front, we believe the negativities around growth, asset quality, and profitability are already priced-in with MMFS shares down 17% QTD Q3FY25 (vs NIFTY down ~4% and NIFTY Midcap down 3%). Notwithstanding some setbacks caused by the confluence of internal and external factors, we see the management's medium-to-long term strategy to deliver diversified and profitable growth to be gradually progressing on the right track. Overall, beyond the gradual expansion toward 2.2% in the near term, beginning of the rate-cut cycle, rebound in tractor sales, seasonal improvement in asset quality, absence of MFI and unsecured PL exposure, and the palatable valuation at FY26E P/B of 1.6x make a strong BUY case for MMFS.

Mahindra Finance: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net profits	19,843	17,596	22,125	31,210	39,673
AUM growths (%)	27.4	24.0	19.9	19.5	18.8
NII growths (%)	9.9	9.4	15.0	22.6	18.6
NIMs (%)	7.6	6.8	6.6	7.0	7.1
PPOP growth (%)	0.7	11.4	17.5	31.0	22.4
Adj. EPS (Rs)	16.1	14.3	17.9	25.3	32.1
Adj. EPS growth (%)	100.6	(11.4)	25.7	41.1	27.1
Adj. BV (Rs)	138.5	147.1	159.6	178.6	204.3
Adj. BVPS growth (%)	9.3	6.2	8.5	11.9	14.4
RoA (%)	2.3	1.7	1.8	2.1	2.3
RoE (%)	12.1	10.0	11.7	14.9	16.8
P/E (x)	17.5	19.7	15.7	11.1	8.8
P/ABV (x)	2.0	1.9	1.8	1.6	1.4

Source: Company, Emkay Research

Gradual progress on long-term strategy; near term green shoots visible

MMFS's strategy to diversify into Universal Mortgages and MSME (with greater focus on Micro and Small) is a step in the right direction as this will cover the majority of TAM, help cross-sell/upsell, and will de-risk the book providing stability and reducing seasonality. It already has a strong parentage and AAA rating, and is now enhancing the talent pool by hiring the right experience and skill from the industry and partnering with the right partners (Banks/NBFCs) to target specific customer segments. With all the steps taken in the recent quarters and the strategic direction taken, RoA of ~2.2% looks realistically achievable in the next 4-8 quarters with ~40-50bps revenue yield improvement on account of increased fee income (cross-selling, loan related and co-lending), 8-10bps improved in Cost of Funds driven by active treasury management and gradual improvement in opex (likely to be sticky in the near term) and credit costs. While this strategy puts the company on the right track for the long term, in the near term, we see a number of tailwinds including rate cut, revival in rural/agri demand, and tractor sales.

Mission 2025 progress: Glass half-full; internal deficiencies addressed

MMFS exceeded its Mission 2025 asset quality targets and is likely to nearly deliver on its AUM growth goal; however, MMFS will fall short of its interest margins, operating expenses, and RoA targets. The misses were an outcome of some internal issues and fast-changing external factors such as: **Internal issues** - i) The Hazaribagh collection issue leading to RBI action in Sep-22; ii) Fraud to the extent of Rs1.5bn in Aizawl branch detected in Apr-24; iii) Lack of talent pool and expertise in non-vehicle lending segments; **External issues:** ii) Steep interest rate increase leading to 250bps increase in repo rate through Apr-22 to Feb-23; ii) RBI's risk-weight increase on bank's lending to NBFCs in Nov-23. Over the course of time, the company has addressed internal deficiencies by tightening its compliance and audit processes further and adding non-vehicle talent pool from outside. The external headwinds have subsided and on the interest rate front we see the beginning of interest rate cycle reversal soon.

Challenges priced-in; upgrade to BUY with SEP-25E TP of Rs360

Amid the miss on various parameters of the Strategy 2025 targets, MMFS shares have materially underperformed the broader market and its peers since Sep-22 (when Hazaribagh collection-related issue led to RBI action), and in Q3FY25 so far, MMFS's share price is down 17% (vs NIFTY50 down ~4% and NIFTY Midcap100 down ~3%) on the back of weaker Q2FY25 business updates. MMFS shares are currently trading on FY26E P/B of 1.6x and following this period of underperformance, the misses of the past and near-term challenges are already in the price. We have adjusted our estimates to reflect the progress in the year so far and strategic actions-led impact, leading to FY25E, FY26E, and FY27E EPS changing by -6%, +7% and +11%, respectively. We upgrade the stock to BUY with our revised Sep-25E TP of Rs360 (implied FY26E P/BV: 2x) as we see near term green shoots along with the medium-to-long term strategic progress to support the re-rating of MMFS shares.

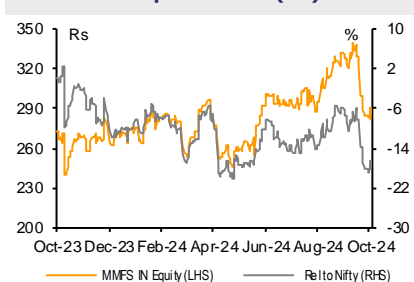
Target Price – 12M	Sep-25
Change in TP (%)	28.6
Current Reco.	BUY
Previous Reco.	REDUCE
Upside/(Downside) (%)	28.0
CMP (17-Oct-24) (Rs)	281.4

Stock Data	Ticker
52-week High (Rs)	343
52-week Low (Rs)	237
Shares outstanding (mn)	1,235.5
Market-cap (Rs bn)	348
Market-cap (USD mn)	4,135
Net-debt, FY25E (Rs mn)	16,236
ADTV-3M (mn shares)	4
ADTV-3M (Rs mn)	1,116.8
ADTV-3M (USD mn)	13.3
Free float (%)	-
Nifty-50	24,750
INR/USD	84.1
Shareholding, Jun-24	
Promoters (%)	52.2
FPIs/MFs (%)	10.1/30.7

Price Performance

(%)	1M	3M	12M
Absolute	(14.1)	(5.4)	(1.2)
Rel. to Nifty	(11.8)	(5.9)	(20.9)

1-Year share price trend (Rs)



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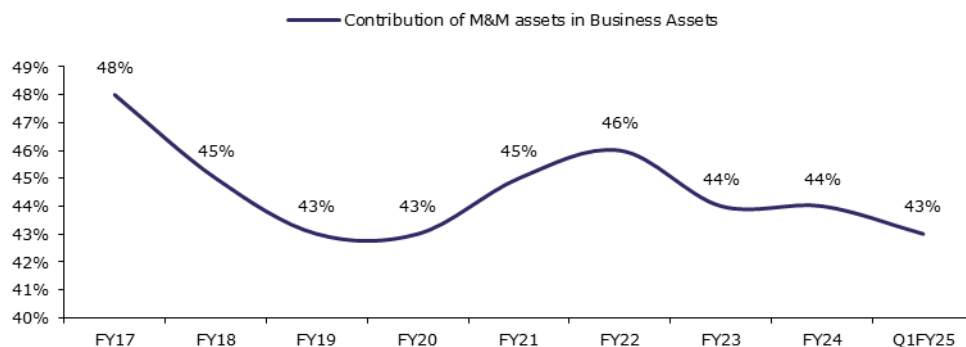
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Inflection point around the corner; valuation palatable

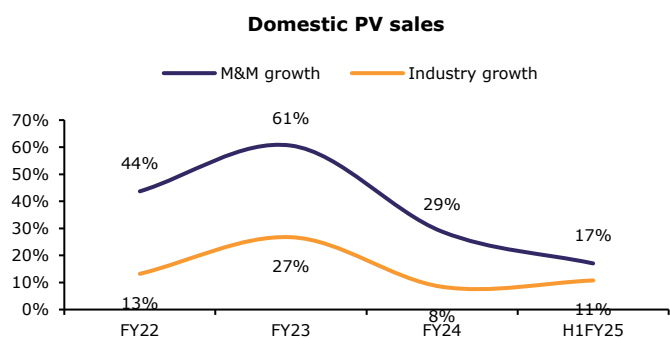
We upgrade MMFS to BUY with our revised Sep-25E TP of Rs360 (implying FY26E P/E of 2x) as we see the inflection point for MMFS in terms of growth, asset quality, and profitability to be around the corner. As the company's Vision 2025 nears its finishing line, it has been a case of 'glass half full' with the company exceeding targets on asset quality, likely meeting on asset growth, and missing on margins, diversifications, opex, and profitability. With Q2FY25 business updates already lowering the expectations on growth and the asset quality front, we believe the negativities around growth, asset quality, and profitability are already in price with MMFS shares down 17% QTD Q3FY25 (vs NIFTY down ~4% and NIFTY Midcap down 3%). Notwithstanding some setbacks caused by the confluence of internal and external factors, we see the management's medium-to-long term strategy to deliver diversified and profitable growth to be the correct one with key ingredients of the strategy being: 1. Diversification into Mortgages and SME to help capture large portion of addressable market and M&M ecosystem stakeholders' lending opportunity; 2. Net revenue yield enhancements led by: i) Cross-selling, loan-related and co-lending-related fee to drive ~40-50bps expansion, and ii) Active treasury management to contribute ~8-10bps reduction in CoF; 3. Sticky opex in the near term on account of product and distribution expansion along with improving credit cost due to customer and product profile change. Overall, this should drive the RoA toward 2.2% in FY26E. Beyond this gradual improvement in profitability, the beginning of rate-cut cycle, rebound in tractor sales, seasonal improvement in asset quality, absence of MFI and unsecured PL exposure, and the reasonable valuation at FY26E P/B of 1.6x make MMFS an attractive investment.

Long-term strategy to drive gradual diversification, de-risking and profitable growth; some green shoots in the near term

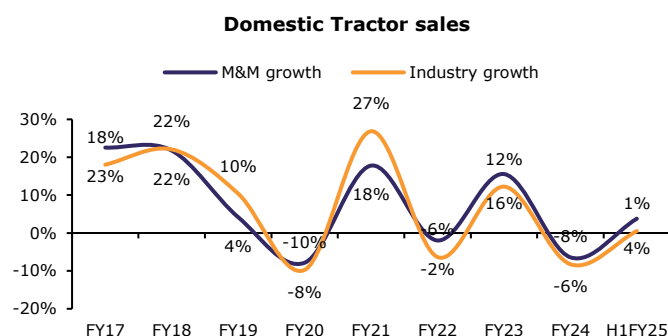
MMFS's strategy to diversify into Universal Mortgages and MSME (with greater focus on Micro and Small) is a step in the right direction as this will: 1. Cover the majority of Total Addressable Market opportunity in Retail and the SME lending space; 2. Will help in capturing higher wallet share of MMFS and Mahindra Group customers and partners; and 3. Will provide stability and reduce seasonality and cyclicalities in the book. Backed by the strong parentage and AAA rating, MMFS has the one key advantage (cost and availability of fund) to enter these segments, and the management is building capabilities by hiring the right-fit individuals at senior levels across the segments and functions, and is also entering into right co-lending partnerships (eg: With SBI to address prime vehicle loan customers, and with Ugro capital to address micro and small enterprises). With all the steps taken in the recent quarters and the strategic direction taken, RoA of ~2.2% looks realistically achievable in the next 4-8 quarters with: i) ~40-50bps (of AuM) improvement in Fee Income coming from increased cross-selling, loan related (penal charges and other) fees, and co-lending-led fee income; ii) ~8-10bps Cost of Funds improvement with help of active treasury management; and iii) Sticky operating expenses in the near term to start improvement once the Mortgage and SME books build-up and credit cost gradually improve on account of changing customer and product profile. While this strategy puts the company on the right track for the long term, in the near term we see a number of tailwinds that shall help MMFS: 1. Likely beginning of interest rate-cut cycle in Dec-24/Feb-25; 2. Rebound in tractor sales and rural/agri demand revival; 3. M&M PV sales sustainably outperforming industry; 4. Absence of MFI and unsecured PL exposure; and 5. Seasonal improvement in asset quality in H2.

Exhibit 1: M&M captive contribution in MMFS business – with increased diversification M&M captive share is likely to go down


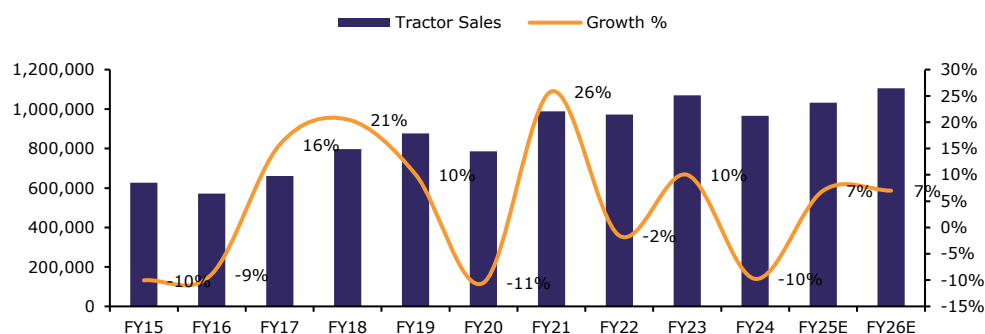
Source: Company, Emkay Research

Exhibit 2: M&M's Domestic PV sales volume is better than industry volume


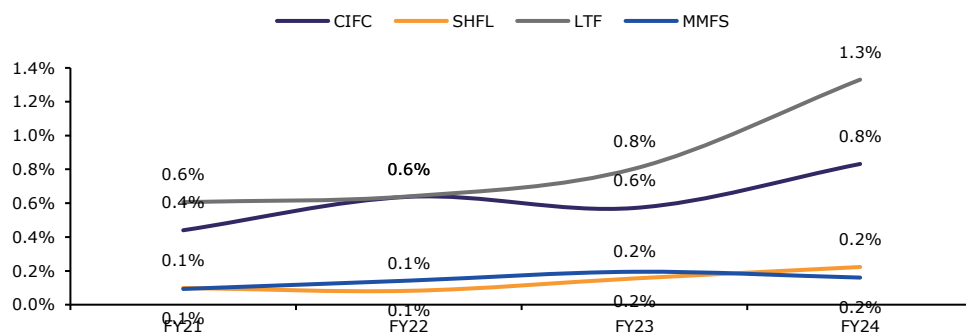
Source: Company, Emkay Research

Exhibit 3: Tractor sale is broadly in line with industry sales volume


Source: Company, Emkay Research

Exhibit 4: Tractor sales should improve after a down cycle and on the back of good monsoons


Source: Company, Emkay Research

Exhibit 5: With MMFS entering into corporate agent partnership with insurance companies, it expects to address its lower fee yield vs peers


Source: Company, Emkay Research

Strategy 2025 progress: Glass half-full; internal issues addressed, external headwinds behind

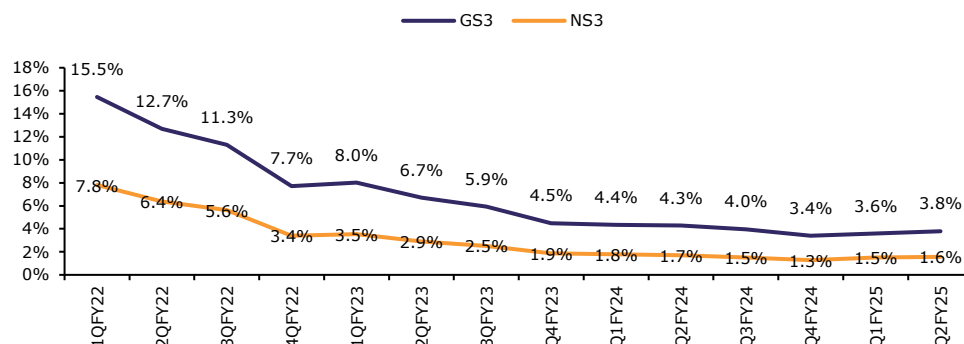
MMFS exceeded its Vision 2025 asset quality targets (GS3 <6%) and is likely to nearly deliver on its AuM growth target (FY25E AUM >3x; however, the achievements on Interest Margins, Operating Expenses (2.5% of AuM), and RoA (2.5%) are going to be missed. The misses were an outcome of some internal issues and fast-changing external factors such as: **Internal issues** — i) The Hazaribagh collection issue leading to RBI action in Sep-22; ii) Fraud to the extent of Rs1.5bn in Aizawl branch detected in Apr-24; iii) Lack of talent pool and expertise in non-vehicle lending segments; **External issues** — i) Steep interest rate increase leading to 250bps rise in repo rate through Apr-22 to Feb-23; ii) RBI's risk-weight increase on bank's lending to NBFCs in Nov-23. Over the course of time, the company has addressed the internal deficiencies by tightening its compliance and audit processes further and adding non-vehicle talent pool from outside. The external headwinds have subsided, and on the interest rate front we see the beginning of interest rate cycle reversal starting Dec-24 or Feb-25.

Exhibit 6: A modest progress overall with some miss and some early achievements

Mission FY25 Progresses	FY22	Target for FY25	FY24	FY25E
GS3	7.70%	<6%	3.40%	3.0%
AUM (Business Assets) - Rs bn	649.6	2x	1,026.0	1,230.0
New Business Contribution		15%	5.50%	7%
NIM	7.60%	7.50%	6.80%	6.64%
Cost-to-Assets	2.70%	~2.5%	2.80%	2.74%
ROA	1.30%	2.50%	1.70%	1.8%

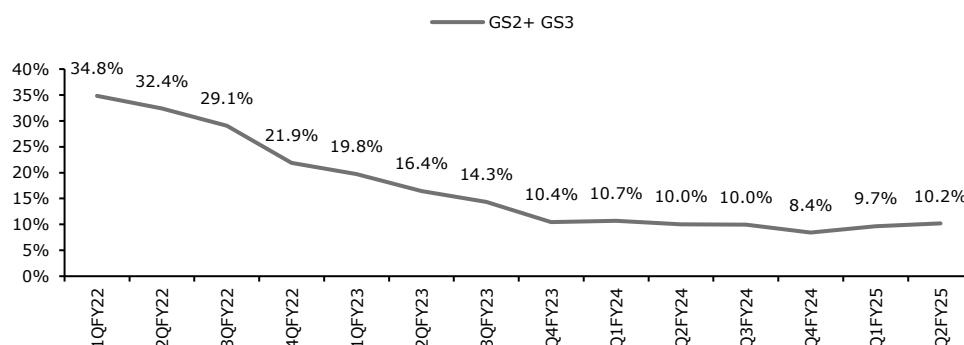
Source: Company, Emkay Research

Exhibit 7: GS3 and NS3 has been improving continuously

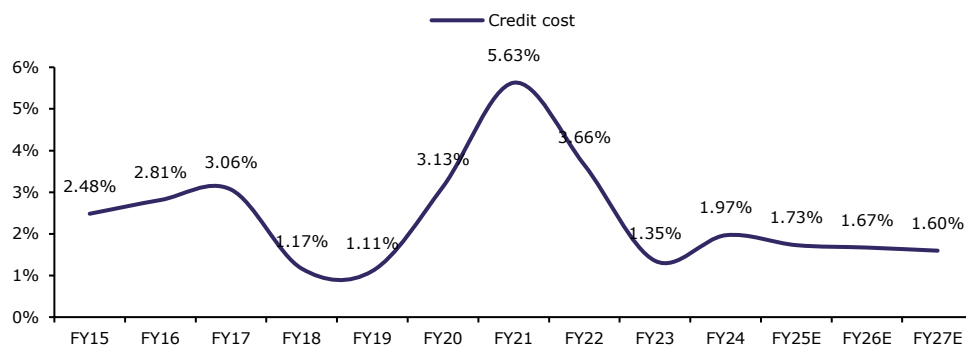


Source: Company, Emkay Research

Exhibit 8: Strong asset quality improvement



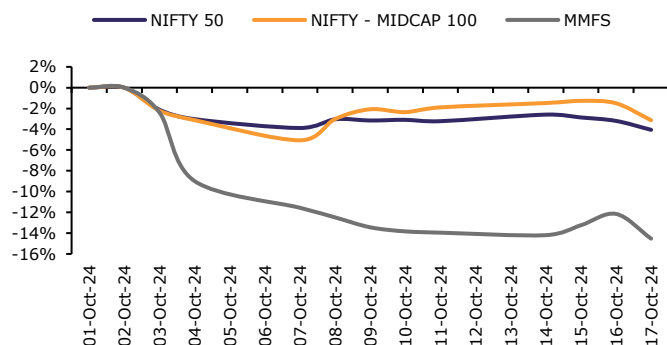
Source: Company, Emkay Research

Exhibit 9: With diversification into mortgage business, we expect credit cost to moderate going forward

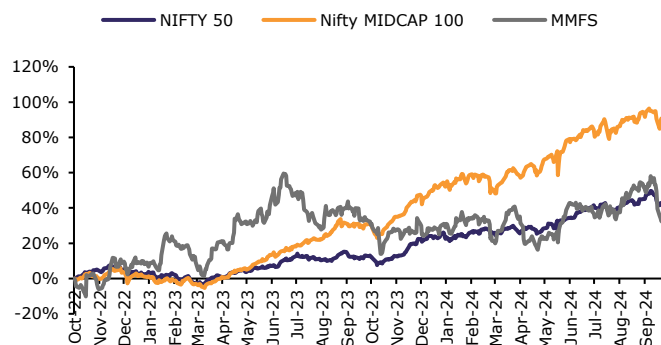
Source: Company, Emkay Research

Near-term challenges priced-in; upgrade to BUY with SEP-25E TP of Rs360

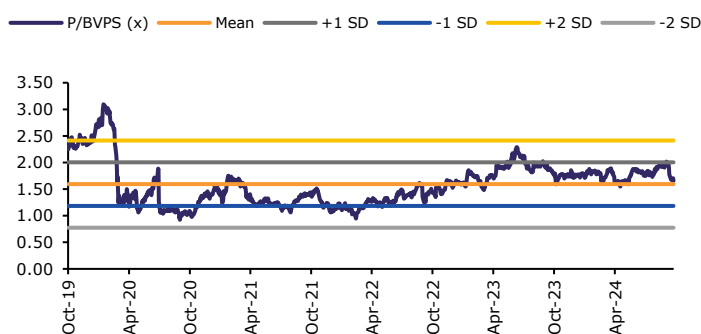
Amid miss on various parameters of the Strategy 2025 targets, MMFS shares have materially underperformed the broader market and its peers since Sep-22 (when Hazaribagh collection-related issue led to RBI action), and in Q3FY25 so far, MMFS share price is down 17% (vs NIFTY50 down ~4% and NIFTY Midcap100 down ~3%) on the back of weaker Q2FY25 business updates. MMFS shares are currently trading on FY26E P/B of 1.6x and after this period of underperformance, the misses of the past and near-term challenges are already in price. We have adjusted our estimates to reflect the progress in the year so far and strategic actions-led impact, leading to FY25E, FY26E, and FY27E EPS changing by -6%, +7%, and +11%, respectively. We upgrade the stock to BUY with our revised Sep-25E TP of Rs360 (implied FY26E P/BV: 2x) as we see near term green shoots along with the medium-to-long term strategic progress to support the re-rating of MMFS shares.

Exhibit 10: MMFS price performance relative to Index - QTD Q3FY25

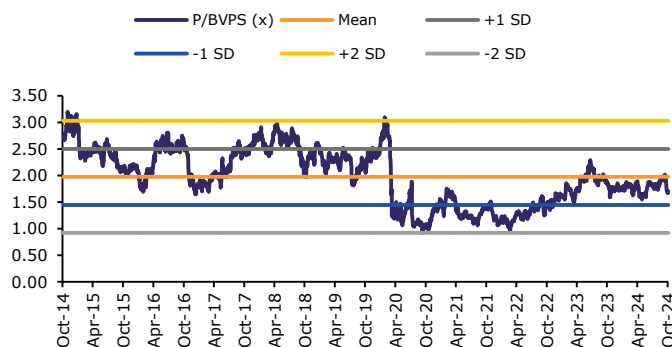
Source: Company, Emkay Research

Exhibit 11: MMFS underperformed compared to NIFTY index over the last 24 months

Source: Company, Emkay Research

Exhibit 12: One-year forward P/BV - MMFS (5Y)

Source: Company, Emkay Research

Exhibit 13: MMFS is trading below its 10-Y mean P/BV

Source: Company, Emkay Research

Exhibit 14: Change in estimates

Y/E Mar (Rs mn)	FY25E			FY26E			FY27E		
	Earlier	Revised	Change	Earlier	Revised	Change	Earlier	Revised	Change
Business Assets	1,221,653	1,229,979	0.7%	1,435,059	1,469,774	2.4%	1,674,034	1,745,894	4.3%
Disbursement	646,392	584,563	-9.6%	749,815	672,248	-10.3%	869,785	773,085	-11.1%
Net interest income	82,498	76,826	-6.9%	97,594	94,220	-3.5%	114,809	111,767	-2.6%
PPOP	51,846	49,109	-5.3%	62,515	64,328	2.9%	74,294	78,769	6.0%
Provisions	20,415	19,492	-4.5%	23,584	22,550	-4.4%	26,656	25,661	-3.7%
PBT	31,431	29,617	-5.8%	38,931	41,779	7.3%	47,638	53,108	11.5%
Adj. PAT	23,480	22,125	-5.8%	29,083	31,210	7.3%	35,587	39,673	11.5%
Adj. EPS (Rs)	19.0	17.9	-5.8%	23.6	25.3	7.3%	28.8	32.1	11.5%
BVPS (Rs)	160	160	-0.5%	178	179	0.3%	201	204	1.6%
Networth	198,011	197,063	-0.48%	219,823	220,470	0.29%	248,293	252,209	1.58%
NIM + Fees	7.00%	6.64%	-36bps	7.08%	7.03%	-5bps	7.18%	7.13%	-5bps
Cost-to-income ratio	41.0%	41.2%	24bps	39.8%	38.5%	-130bps	39.2%	37.1%	-210bps
Opex-to-AUM	2.77%	2.64%	-12bps	2.68%	2.59%	-9bps	2.64%	2.51%	-13bps
Loan book growth	19.1%	19.9%	81bps	17.5%	19.5%	203bps	16.7%	18.8%	213bps
Disbursement growth	15.0%	4.0%	-1100bps	16.0%	15.0%	-100bps	16.0%	15.0%	-100bps
Credit costs (bps)	1.82%	1.73%	-9bps	1.78%	1.67%	-10bps	1.71%	1.60%	-12bps
ROA	1.87%	1.76%	-11bps	1.98%	2.10%	11bps	2.09%	2.26%	17bps
ROE	12.4%	11.7%	-68bps	13.9%	14.9%	103bps	15.2%	16.8%	158bps

Source: Company, Emkay Research

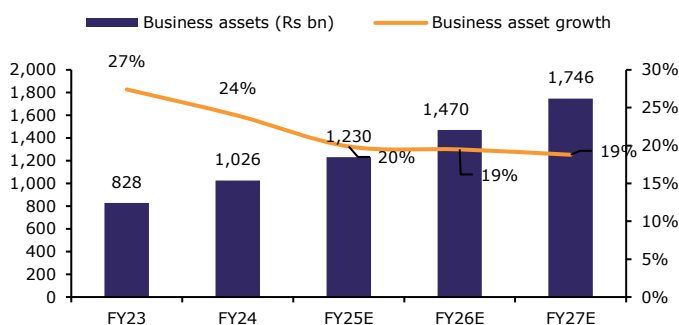
Exhibit 15: Quarterly preview

Quarterly Earnings Summary								
(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25E	YoY	QoQ
Interest Income	30,349	31,530	33,733	35,471	36,122	37,959	20.4%	5.1%
Interest Expenses	14,505	15,665	16,750	17,351	18,286	19,222	22.7%	5.1%
Net Interest Income	15,844	15,865	16,983	18,121	17,836	18,737	18.1%	5.0%
Other Income	905	875	1,172	1,590	1,480	1,653	88.9%	11.7%
Total Income	16,750	16,740	18,155	19,710	19,316	20,389	21.8%	5.6%
Operating Expenses	6,750	7,312	7,530	7,980	7,970	8,601	17.6%	7.9%
Operating Profit	10,000	9,428	10,625	11,730	11,345	11,788	25.0%	3.9%
Provisions	5,264	6,266	3,283	3,415	4,482	5,056	-19.3%	13%
Credit cost (on avg Business Assets)	2.5%	2.8%	1.4%	1.4%	1.7%	1.8%	-93bps	13bps
PBT	4,735	3,163	7,341	8,315	6,864	6,733	112.9%	-1.9%
Tax	1,209	811	1,813	2,126	1,734	1,701	109.8%	-1.9%
Tax rate	25.5%	25.6%	24.7%	25.6%	25.3%	25.3%		
Reported PAT	3,527	2,352	5,528	6,190	5,130	5,032	113.9%	-1.9%
Networth	174,600	169,560	175,230	181,575	186,860	191,892	13.2%	2.7%
Business assets	867,320	937,230	970,480	1,025,970	1,063,390	1,126,000	20.1%	5.9%
Disbursements	121,650	133,150	154,360	152,920	127,410	131,600	-1.2%	3.3%
GS3 (%)	4.35	4.29	3.97	3.40	3.60	3.80	-49bps	20bps
NS3 (%)	1.78	1.71	1.52	1.28	1.50	1.57	-14bps	7bps
PCR (%)	60.13	61.18	62.72	63.16	59.79	60.00	-118bps	21bps
ROA (%; calculated)	1.44	0.92	2.07	2.22	1.76	1.65	73bps	-11bps
ROE (%; calculated)	8.17	5.47	12.83	13.88	11.14	10.63	516bps	-51bps

Source: Company, Emkay Research

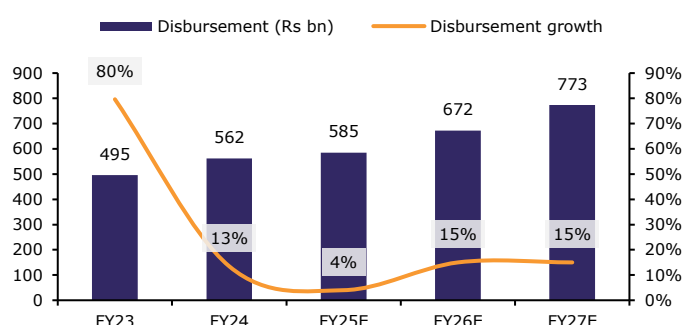
Story in charts

Exhibit 16: Strong asset growth driven by strong rural recovery and diversification



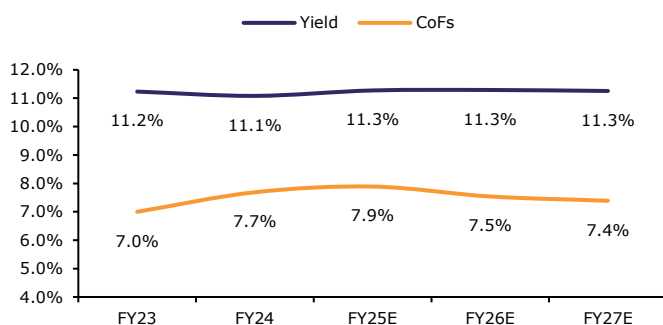
Source: Company, Emkay Research

Exhibit 17: We expect disbursement to grow ~15% over FY26-27E



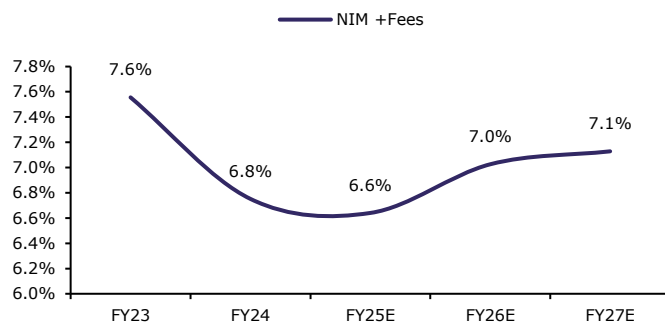
Source: Company, Emkay Research

Exhibit 18: CoFs moderation led by active treasury management



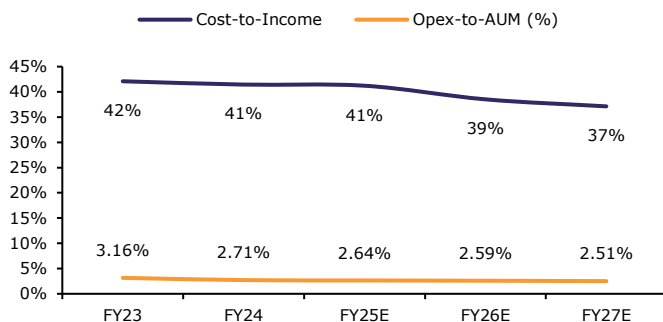
Source: Company, Emkay Research

Exhibit 19: NIM+Fees improvement led by higher fees income and CoFs moderation



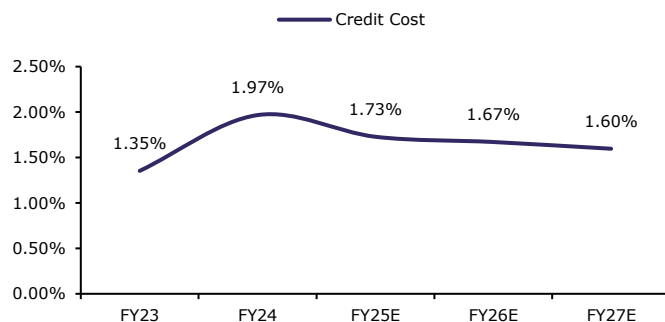
Source: Company, Emkay Research

Exhibit 20: Opex to remain sticky in the near term



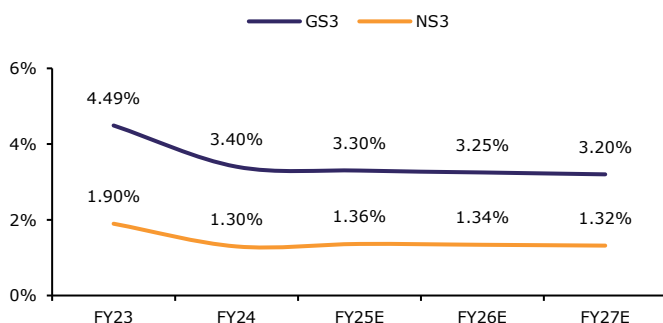
Source: Company, Emkay Research

Exhibit 21: Credit cost improvement led by business diversification



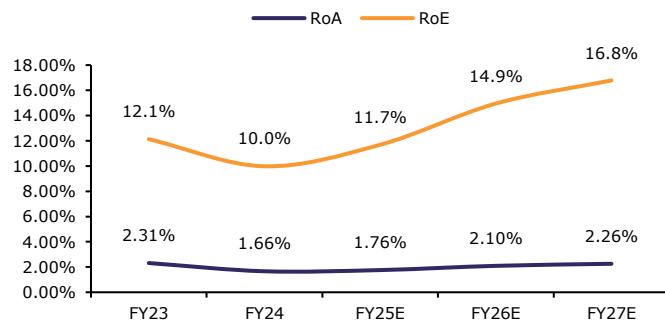
Source: Company, Emkay Research

Exhibit 22: Robust asset quality



Source: Company, Emkay Research

Exhibit 23: Margin expansion led by improved operational efficiency and active treasury investment



Source: Company, Emkay Research

Exhibit 24: Key Management personal

Name	Designation	Brief Profile
Raul Rebello	MD & CEO	Raul Rebello is a seasoned banker with extensive experience in Rural Banking and Financial Inclusion. He joined Mahindra Finance as Chief Operating Officer on September-21, and has since led its growth and transformation efforts. Prior to this, he spent 19 years at Axis Bank, where he held key leadership roles in Rural Lending, MSME lending, Gold Loans, and more. He also expanded Axis Bank's rural presence through micro-ATMs and partnerships, and drove digital initiatives for low-income households, launching paperless loan processes and phygital tools.
Sandeep Mandrekar	CBO - Wheels	With over 26 years of diverse management experience, Sandeep Mandrekar is driving business growth in the wheels segment through performance and transformation initiatives. He joined Mahindra Finance in 2012 as the Business Head of Car Finance and currently oversees the core wheels business.
Mahesh Rajaraman	CRO	Mahesh Rajaraman brings over 29 years of leadership experience in Risk Management, specializing in Credit Underwriting (Unsecured Assets & Payments), Policy (Retail, Agri, and SME), Collections (Consumer Assets & Payments), Fraud Risk Management (Assets, Payments & Liability Products), Payment Scheme Compliance, and Anti-Money Laundering (AML). He recently joined MMFS as the Chief Risk Officer (CRO). Prior to this, he held leadership roles at esteemed organizations such as ANZ Grindlays, Standard Chartered Bank (SCB), HSBC, HDFC Bank, YES Bank, and City Union Bank.
Shiv Kumar Nv	SME & LAP	With around 16 years of diverse management experience in the mortgage and agricultural sectors, Shiv Kumar joined Mahindra Finance in 2022 as the Business Head of SME and LAP. Prior to joining Mahindra, he held leadership positions at Axis Bank, IndusInd Bank, and Ujjivan Small Finance Bank.
Deepa Ranjeet	Digital	Deepa Ranjeet is a consulting professional with around 20 years of experience in selling and executing consulting engagements. She joined the Mahindra Group in 2018 as Vice President and Head of Digital, before transitioning to Mahindra Finance in 2022. Currently, she leads the digital finance business at Mahindra Finance.
Manish Sinha	CHRO	Manish Sinha is a global HR professional with extensive experience in leadership and organizational development, executive coaching, organizational design, HR transformation, acquisition integration, and cultural assimilation. He joined Mahindra Finance as the CHRO a year ago. Before that, he was associated with several reputed organizations.
Devendra Sharnagat	Data/Analytics	Devendra Sharnagat is a seasoned professional with extensive experience in operations, digital transformation, and driving strategic initiatives. He has held key roles in leading organizations, contributing to process optimization and technological advancements within financial services. Currently associated with Mahindra Finance, Sharnagat has a strong background in enhancing operational efficiency and leveraging digital solutions to meet business objectives.
Gaurav Verma	Underwriting	Gaurav Verma is a management professional with significant expertise in financial services, digital transformation, and strategic leadership. He is known for his ability to drive business growth through innovation, customer-centric strategies, and operational excellence. Currently associated with Mahindra Finance, Gaurav has played a key role in leading various initiatives aimed at improving the company's market presence and enhancing its operational capabilities.
Vedanarayanan Seshadri	MD, MIBL	Vedanarayanan Seshadri is the Managing Director of Mahindra Insurance Brokers Limited, a role he has held since February 2021. With over 25 years of experience, he previously served as President and COO at Cholamandalam MS General Insurance. He has held several leadership roles in companies like Tata AIA Life Insurance and ICICI Bank, with expertise in marketing, strategic planning, and operations. Vedanarayanan is an alumnus of INSEAD's Advanced Management Program and holds a PGDM in Marketing and Finance from Management Development Institute, Gurgaon.
Jaspreet Chaddha	CBO - Mortgage	Jaspreet Chaddha is an accomplished professional with over 20 years of experience in the retail finance and lending industry. He specializes in distribution management, deal-making, and leading profitable ventures across rural and urban areas. Previously the Chief Business Officer (CBO) at Bajaj Finance Limited, he has now joined Mahindra Finance as CBO for Mortgages. Jaspreet has held senior roles at Bajaj Housing Finance and Citibank, and holds a PGDM in Marketing and Finance from IIM Kozhikode, along with a B.E. in Mechanical Engineering from the College of Engineering and Technology, Bathinda.
Animesh Chatterjee	Head Treasury	Animesh Chatterjee is the Head of Treasury at Mahindra & Mahindra Financial Services Ltd., responsible for fund-raising (domestic and international), investment strategies, balance sheet management, governance, and compliance. He has significant expertise in treasury risk management, system automation, and relationship management. With extensive experience in finance and accounts, including US GAAP, SOX compliance, and audit, Animesh has held senior roles in leading companies like SMFG India Credit and Fullerton India. He completed the Senior Management Programme at the University of Cambridge, specializing in business administration and management.
Usha Sunder	Head of Internal Audit	Usha Sunder is currently the Head of Internal Audit at Mahindra and Mahindra Financial Services Limited, a role she began in Sep-24. Before this, she spent over 23 years at Mahindra and Mahindra Limited in various finance and audit positions, including her most recent role as Head of Process Assurance and Senior General Manager of Finance & Accounts. Usha has expertise in risk assurance, business strategy, and accounting for international operations, with additional skills in big data analytics.

Source: Company, Emkay Research

Mahindra Finance: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	106,826	131,088	157,280	186,871	220,170
Interest Expense	45,767	64,269	80,454	92,651	108,403
Net interest income	61,059	66,818	76,826	94,220	111,767
NII growth (%)	9.9	9.4	15.0	22.6	18.6
Non interest income	3,735	4,537	6,713	10,406	13,510
Total income	64,794	71,355	83,539	104,626	125,277
Operating expenses	27,276	29,572	34,430	40,298	46,508
PPOP	37,518	41,783	49,109	64,328	78,769
PPOP growth (%)	0.7	11.4	17.5	31.0	22.4
Provisions & contingencies	9,992	18,228	19,492	22,550	25,661
PBT	27,526	23,555	29,617	41,779	53,108
Extraordinary items	(545)	0	0	0	0
Tax expense	7,138	5,959	7,492	10,568	13,434
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	19,843	17,596	22,125	31,210	39,673
PAT growth (%)	100.7	(11.3)	25.7	41.1	27.1
Adjusted PAT	20,388	17,596	22,125	31,210	39,673
Diluted EPS (Rs)	16.1	14.3	17.9	25.3	32.1
Diluted EPS growth (%)	100.6	(11.4)	25.7	41.1	27.1
DPS (Rs)	6.0	6.3	5.4	6.3	6.4
Dividend payout (%)	37.3	44.2	30.0	25.0	20.0
Effective tax rate (%)	25.9	25.3	25.3	25.3	25.3
Net interest margins (%)	7.6	6.8	6.6	7.0	7.1
Cost-income ratio (%)	42.1	41.4	41.2	38.5	37.1
PAT/PPOP (%)	52.9	42.1	45.1	48.5	50.4
Shares outstanding (mn)	1,233.6	1,234.4	1,234.4	1,234.4	1,234.4

Source: Company, Emkay Research

Asset quality and other metrics					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Asset quality					
GNPL - Stage 3	37,170	34,910	40,589	47,768	55,869
NNPL - Stage 3	15,070	12,860	16,236	19,107	22,347
GNPL ratio - Stage 3 (%)	4.5	3.4	3.3	3.3	3.2
NNPL ratio - Stage 3 (%)	1.9	1.3	1.4	1.3	1.3
ECL coverage - Stage 3 (%)	59.5	63.2	60.0	60.0	60.0
ECL coverage - 1 & 2 (%)	1.4	1.2	1.2	1.1	1.0
Gross slippage - Stage 3	0	0	0	0	0
Gross slippage ratio (%)	0.0	0.0	0.0	0.0	0.0
Write-off ratio (%)	3.4	2.1	1.5	1.4	1.3
Total credit costs (%)	1.4	2.0	1.7	1.7	1.6
NNPA to networth (%)	8.8	7.1	8.2	8.7	8.9
Capital adequacy					
Total CAR (%)	22.5	18.9	18.3	17.5	17.2
Tier-1 (%)	19.9	16.4	15.9	15.1	14.8
Miscellaneous					
Total income growth (%)	11.7	10.1	17.1	25.2	19.7
Opex growth (%)	31.5	8.4	16.4	17.0	15.4
PPOP margin (%)	4.3	3.8	3.8	4.1	4.3
Credit costs-to-PPOP (%)	26.6	43.6	39.7	35.1	32.6
Loan-to-Assets (%)	82.6	86.1	87.3	88.4	89.2
Yield on loans (%)	14.5	14.1	13.9	13.8	13.7
Cost of funds (%)	7.0	7.7	7.9	7.5	7.4
Spread (%)	7.5	6.5	6.1	6.3	6.3

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	2,467	2,469	2,469	2,469	2,469
Reserves & surplus	168,422	179,106	194,594	218,001	249,740
Net worth	170,889	181,575	197,063	220,470	252,209
Borrowings	749,459	922,252	1,117,375	1,340,521	1,593,637
Other liabilities & prov.	41,818	47,765	50,154	52,661	55,295
Total liabilities & equity	962,166	1,151,592	1,364,591	1,613,653	1,901,140
Net loans	794,547	991,952	1,191,866	1,426,086	1,695,358
Investments	99,886	96,508	106,159	116,775	128,452
Cash, other balances	28,321	26,891	26,840	27,058	28,987
Interest earning assets	922,754	1,115,351	1,324,865	1,569,919	1,852,798
Fixed assets	6,956	8,111	9,328	10,727	12,336
Other assets	32,456	28,130	30,398	33,007	36,006
Total assets	962,166	1,151,592	1,364,591	1,613,653	1,901,140
BVPS (Rs)	138.5	147.1	159.6	178.6	204.3
Adj. BVPS (INR)	138.5	147.1	159.6	178.6	204.3
Gross loans	827,700	1,025,970	1,229,979	1,469,774	1,745,894
Total AUM	995,650	1,185,602	1,420,413	1,694,945	2,010,395
On balance sheet	827,700	1,025,970	1,229,979	1,469,774	1,745,894
Off balance sheet	167,950	159,632	190,434	225,170	264,500
Disbursements	495,410	562,080	584,563	672,248	773,085
Disbursements growth (%)	79.6	13.5	4.0	15.0	15.0
Loan growth (%)	31.5	24.8	20.2	19.7	18.9
AUM growth (%)	27.4	24.0	19.9	19.5	18.8
Borrowings growth (%)	34.3	23.1	21.2	20.0	18.9
Book value growth (%)	9.3	6.2	8.5	11.9	14.4

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	17.5	19.7	15.7	11.1	8.8
P/B (x)	2.0	1.9	1.8	1.6	1.4
P/ABV (x)	2.0	1.9	1.8	1.6	1.4
P/PPOP (x)	0.7	0.7	0.6	0.4	0.4
Dividend yield (%)	2.1	2.2	1.9	2.2	2.3
DuPont-RoE split (%)					
NII/avg AUM	7.1	6.1	5.9	6.0	6.0
Other income	0.4	0.4	0.5	0.7	0.7
Securitization income	0.0	0.0	0.0	0.0	0.0
Opex	1.3	1.1	1.1	1.0	1.0
Employee expense	1.8	1.6	1.6	1.6	1.5
PPOP	4.3	3.8	3.8	4.1	4.3
Provisions	1.2	1.7	1.5	1.4	1.4
Tax expense	0.8	0.5	0.6	0.7	0.7
RoAUM (%)	2.4	1.6	1.7	2.0	2.1
Leverage ratio (x)	5.3	6.2	6.9	7.5	7.8
RoE (%)	12.1	10.0	11.7	14.9	16.8
Quarterly data					
Rs mn, Y/E Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
NII	15,865	16,983	18,121	17,836	18,737
NIM(%)	6.5	6.8	7.1	6.6	6.7
PPOP	9,428	10,625	11,730	11,345	11,788
PAT	2,352	5,528	6,190	5,130	5,032
EPS (Rs)	1.90	4.48	5.01	4.15	4.07

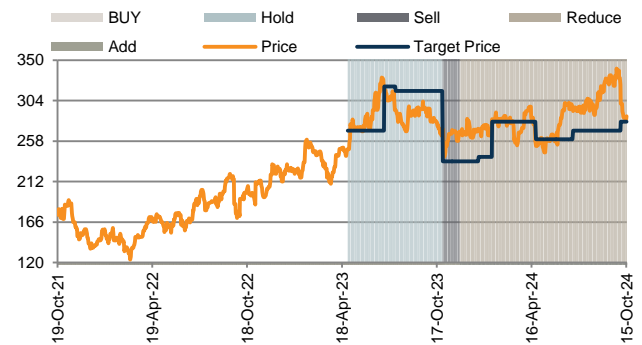
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
04-Oct-24	300	280	Reduce	Avinash Singh
01-Oct-24	330	270	Reduce	Avinash Singh
02-Sep-24	322	270	Reduce	Avinash Singh
20-Aug-24	304	270	Reduce	Avinash Singh
24-Jul-24	299	270	Reduce	Avinash Singh
04-Jul-24	292	270	Reduce	Avinash Singh
05-Jun-24	269	260	Reduce	Avinash Singh
07-May-24	252	260	Reduce	Avinash Singh
24-Apr-24	253	260	Reduce	Avinash Singh
06-Apr-24	292	280	Reduce	Avinash Singh
31-Jan-24	283	280	Reduce	Avinash Singh
05-Jan-24	271	240	Reduce	Avinash Singh
30-Nov-23	269	235	Reduce	Avinash Singh
28-Oct-23	272	235	Sell	Avinash Singh
30-Jul-23	293	315	Hold	Avinash Singh
08-Jul-23	316	320	Hold	Avinash Singh
29-Apr-23	249	270	Hold	Avinash Singh

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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