

July 23, 2025

Q1FY26 Result Update

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Int.Inc. (Rs m)	66,818	74,331	87,162	1,02,012
Growth (%)	9.4	11.2	17.3	17.0
Op. Profit (Rs m)	41,783	47,652	57,710	67,064
PAT (Rs m)	17,596	23,451	27,496	34,161
EPS (Rs.)	14.3	19.0	20.9	24.6
Gr. (%)	(13.7)	33.2	10.3	17.3
DPS (Rs.)	6.3	6.5	7.2	8.9
Yield (%)	2.4	2.4	2.7	3.3
Margin (%)	6.5	6.1	6.1	6.2
RoAE (%)	10.0	12.4	12.1	12.5
RoAA (%)	1.7	1.9	1.9	2.0
PE (x)	18.7	14.0	12.7	10.8
P/BV (x)	1.8	1.7	1.4	1.3
P/ABV (x)	1.9	1.8	1.6	1.4

Key Data

MMFS.BO | MMFS IN

52-W High / Low	Rs.334 / Rs.232
Sensex / Nifty	82,187 / 25,061
Market Cap	Rs.370bn/ \$ 4,281m
Shares Outstanding	1,390m
3M Avg. Daily Value	Rs.845.24m

Shareholding Pattern (%)

Promoter's	52.49
Foreign	9.33
Domestic Institution	32.39
Public & Others	5.79
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.3	2.8	(6.5)
Relative	1.6	(4.4)	(8.4)

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Disbursements tepid; asset quality a monitorable

Quick Pointers:

- Flat disbursement growth in Q1; seeing weakness in PV and CV/ CE
- GS3 ratio saw a jump on account of seasonality; expect it to remain range-bound

Q1 disbursement growth was flat YoY with a weakness in the CV/ PV/ SME segment; AUM grew 15% YoY to Rs 1,220 bn. Expect NIM to improve in subsequent quarters aided by a boost in fee income/Used Vehicle mix and lower CoF. Expect opex costs to be elevated as the company invests in business transformation. Asset quality saw a seasonal weakness in the quarter; we continue to be watchful of collection efficiency trends. We value the standalone business of MMFS at 1.3x FY27E P/ABV. Our SOTP ascribes a valuation of Rs 269 for the standalone business and Rs 16 for subsidiaries, with a 25% Holding Co. discount, to arrive at a TP of Rs 285. Low visibility on growth and weak asset quality trends weigh on profitability. Assume coverage with a HOLD rating.

- Q1 disbursements lacklustre; expect 15% growth in FY26:** Q1 saw a flattish trend in disbursements (Rs 128 bn) on account of a slowdown in the M&HCV/ entry-level PV segment. Commentary also highlighted a temporary recalibration in SME disbursements (~19% YoY) on account of organisational/ structural changes. Tractor disbursements however, saw a decent pick-up in the quarter (+21% YoY) and company expects the trend to continue. Consequently, AUM grew 15% YoY/ 2% QoQ to Rs 1,220 bn. The share of M&M assets as a part of AUM was maintained at 44% (in the range of 40-45%). While disbursement growth continues to remain challenging due to an industry-wide slowdown in the auto sector, company expects an uptick in momentum with a positive monsoon/ recovery in rural demand. We remain conservative and build an AUM growth of 15% in FY26E.
- Spreads to range between 6.5%- 6.7%:** While CoF remained stable YoY at 6.3%, reported spread improved to 6.7% (vs. 6.5% in Q4FY25) driven by an increase in yield (+10 bps QoQ) and fee income (+10 bps QoQ). Company expects to maintain spread in the range of 6.5%- 6.7% in FY26, supported by a rising share of high-yielding segments (Used Vehicle and tractor) in the mix. It is also focusing on increasing fee income and has made multiple efforts on that front- co-branded credit card partnership with RBL Bank, Fast tag tie-up with IDFC bank, insurance distribution/ NPCI approval for TPAP license. Management commentary highlighted a slight reduction in incremental CoF and we expect NIM to improve in subsequent quarters aided by a lower cost of borrowing. Opex continues to be elevated, with C/I ratio at 40.8% in 1Q as the company continues to make investments in collections.
- Watchful of asset quality trends:** Gross Stage 3/Net Stage 3 ratio stood at 3.85%/ 1.91% vs. 3.69%/ 1.84% in Q4FY25. Commentary highlighted a seasonal weakness in the quarter and expects asset quality ratios to remain range-bound. We continue to be watchful of collection efficiency trends (95% in Q1). Company raised capital of ~Rs 30 bn via a rights issue, resulting in a boost in CAR/ Tier 1 ratio (20.6%/ 17.9% respectively).

Exhibit 1: Q1FY26 Result Overview (Rs mn)

Y/e March	Q1FY26	Q1FY25	YoY gr. (%)	Q1FY26E	% Var	Q4FY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
NII	20,122	17,836	12.8	NA	NA	19,276	4.4	87,162	74,331	17.3
Spread (%) (calc)	6.9	7.1	-2.8	NA	NA	6.8	1.4	6.6	6.5	
Other Income	2,732	1,480	84.6	NA	NA	2,279	19.9	775	712	8.8
Net Revenue	22,853	19,316	18.3	NA	NA	21,555	6.0	98,438	81,764	20.4
Opex	9,323	7,970	17.0	NA	NA	9,427	(1.1)	40,728	34,112	19.4
PPOP	13,530	11,345	19.3	NA	NA	12,128	11.6	57,710	47,652	21.1
Provisions	6,597	4,482	47.2	NA	NA	4,571	44.3	21,176	16,179	30.9
PBT	6,933	6,864	1.0	NA	NA	7,557	(8.2)	36,534	31,473	16.1
Tax	1,638	1,734	-5.5	NA	NA	1,925	(14.9)	9,039	8,022	12.7
PAT	5,295	5,130	3.2	NA	NA	5,631	(6.0)	27,496	23,451	17.2
Business Metrics										
AUM (Rs bn)	12,20,080	10,63,390	14.7	NA	NA	11,96,730	2.0	13,76,174	11,96,730	15.0
Borrowings (Rs bn)	11,08,700	9,53,400	16.3	NA	NA	11,28,735	(1.8)	12,65,182	11,28,735	12.1
Asset Quality Metrics										
GNPA (%)	3.85	3.56	8.1	NA	NA	3.69	4.3	3.83	3.69	3.8
NNPA (%)	1.91	1.46	30.8	NA	NA	1.84	3.8	1.90	1.84	3.0
PCR (%)	51.4	59.8	-14.0	NA	NA	51.2	0.6	50.5	51.2	(1.3)

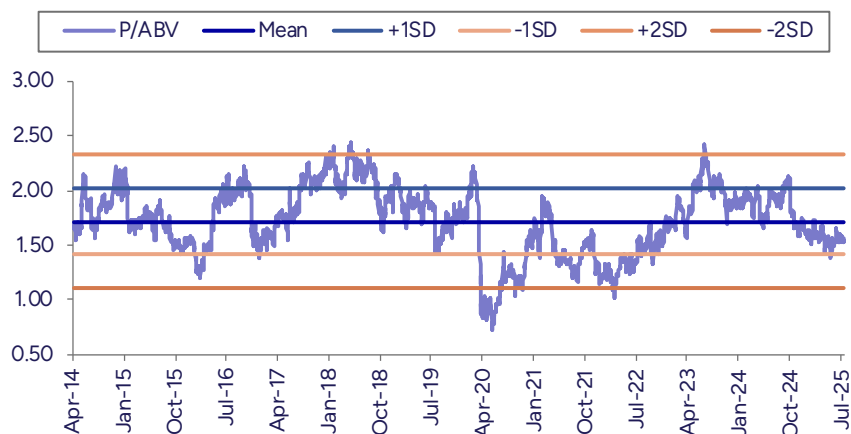
Source: Company, PL

Exhibit 2: Our SoTP ascribes a value of Rs 285

	Networth	Multiple	Value (Rs bn)	Value/share (Rs)	% of total	Methodology
Core business	2,61,403	1.3	332	269	94.5	1.3x of FY27E ABV
Key Ventures						
Mahindra Rural Housing Finance	14,576	1.0	15	12	4.1	1.0x BV
Mahindra Insurance Brokers			11	9	3.2	1.5x Based on last stake sale value
Total Value of subsidiaries			26	21	7.4	
Less: 25% holding discount			6	5	1.8	
Value of Key Subsidiaries			19	16	5.5	
Target Value			351	285	100.0	

Source: PL

Exhibit 3: One-year forward P/ABV of MMFS trades at 1.5x



Source: Company, PL

Q1FY26 Concall Highlights

Growth

- Disbursements were broadly flat YoY at Rs 128 bn (vs Rs 127.41 bn) led by strong traction in tractors (+21%), offset by a decline in CV/CE (-12%) and SME (-19%).
- Company faced softness in entry level PV while being selective in CV because of high competition from banks; aim to grow in LCV/ ICV where pricing is decent.
- Degrowth in SME is mainly temporary as company has made changes in the organization structure by creating four divisions
- Company expects mortgage business turnaround to be underway with a new CEO; momentum is expected to pick up and value could be unlocked over the next two years.
- Company expects ~15% medium-term disbursement growth. Expect growth to be stronger in H2 supported by a favourable monsoon, kharif season and upcoming festive demand.
- Tier-1 capital augmented to 17.9% with Rs 30 bn raised via rights issue; debt-to-equity stands at 4.75x with no near-term capital raise envisaged.

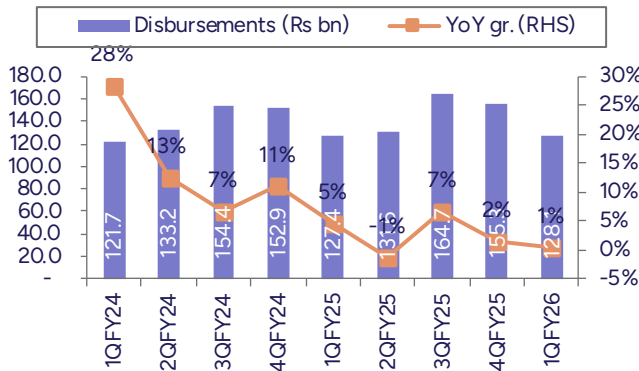
Operating profitability

- Of the Rs 5.30 bn PAT, Rs 460 mn came from MIBL dividend (expected to be recurring in coming years) contributing 14 bps to margins.
- Company migrated to a new cloud-based LMS expecting to drive operational efficiency and optimize opex over the medium term.
- Company is targeting to achieve an ROA of 2-2.2% driven by margin stability and improved operating efficiency.

Asset quality

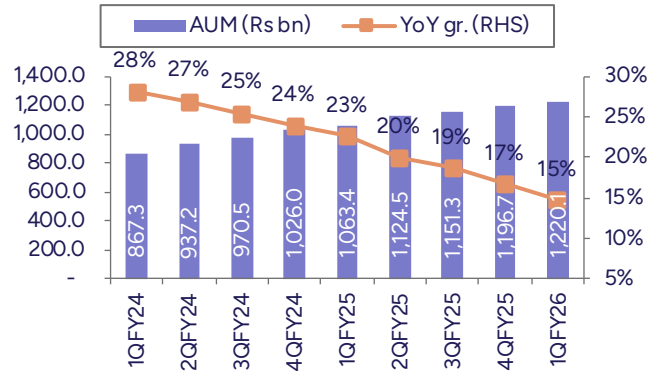
- Headline asset quality slightly declined in the quarter with GS3/NS3 at 3.85%/ 1.91% vs. 3.69%/ 1.84%. Seeing stress mainly due to monsoon; company expects to keep GS2 & 3 under 10% in coming quarters.
- Guidance of 1.5%- 1.7% of credit cost provided for FY26.

Exhibit 4: Disbursement growth remains soft (flat YoY)



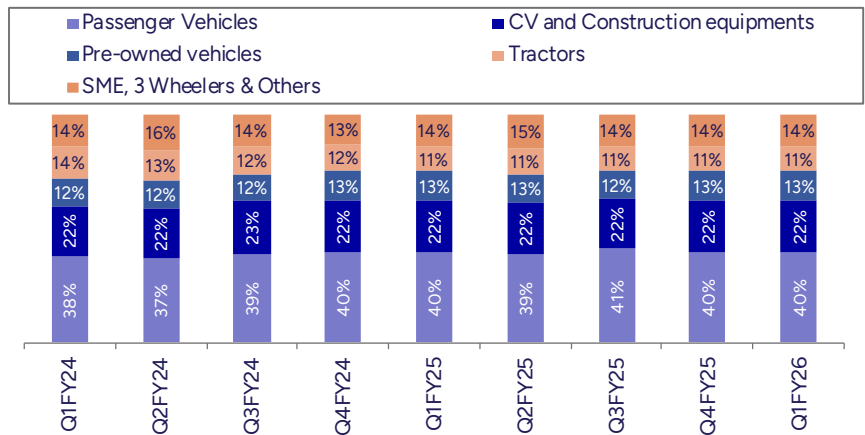
Source: Company, PL

Exhibit 5: AUM grew 15% YoY to Rs 1,220 bn



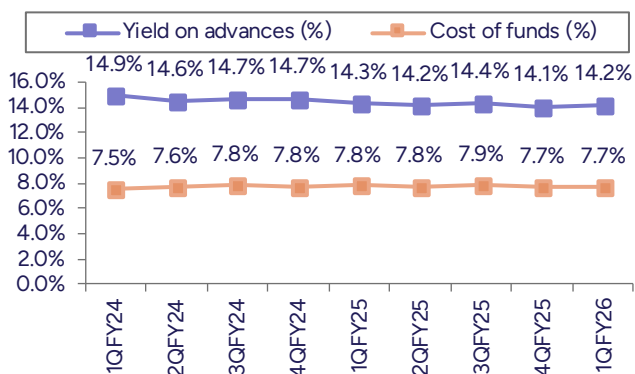
Source: Company, PL

Exhibit 6: AUM mix- CV/ CE and PV dominate the mix



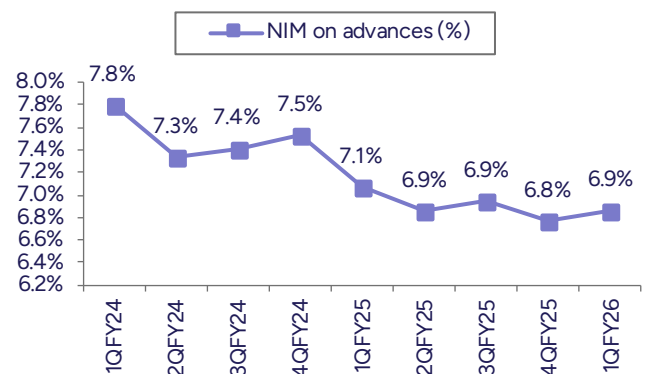
Source: Company, PL

Exhibit 7: Yield improved +10 bps QoQ; CoF remained stable



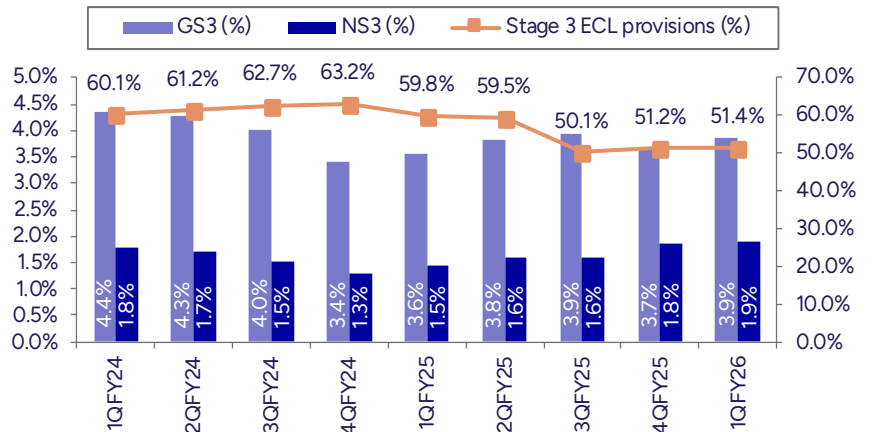
Source: Company, PL

Exhibit 8: ...resulting in a sequential improvement in NIM



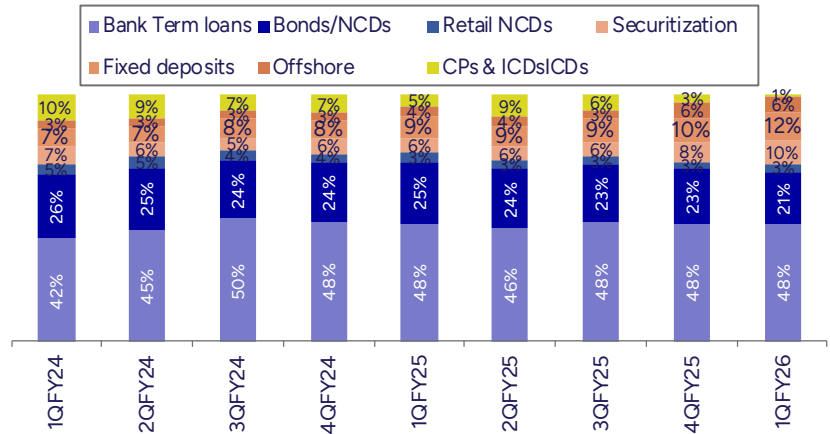
Source: Company, PL

Exhibit 9: Headline asset quality continues to be a monitorable



Source: Company, PL

Exhibit 10: Borrowing mix over the quarters



Source: Company, PL



Income Statement (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Int. Inc. / Opt. Inc.	1,31,088	1,53,314	1,76,302	2,01,396
Interest Expenses	64,269	78,983	89,140	99,384
Net interest income	66,818	74,331	87,162	1,02,012
Growth(%)	9.4	11.2	17.3	17.0
Non-interest income	2,954	6,721	10,501	11,367
Growth(%)	20.0	127.5	56.2	8.2
Net operating income	71,355	81,764	98,438	1,14,268
Expenditures				
Employees	17,126	19,031	21,886	25,168
Other Expenses	10,159	12,347	15,835	18,727
Depreciation	2,287	2,734	3,007	3,308
Operating Expenses	29,572	34,112	40,728	47,204
PPP	41,783	47,652	57,710	67,064
Growth(%)	11.4	14.0	21.1	16.2
Provisions	18,228	16,179	21,176	21,516
Profit Before Tax	23,555	31,473	36,534	45,548
Tax	5,959	8,022	9,039	11,387
Effective Tax rate(%)	25.3	25.5	24.7	25.0
PAT	17,596	23,451	27,496	34,161
Growth(%)	(13.7)	33.3	17.2	24.2

Balance Sheet (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Source of funds				
Equity	2,469	2,470	2,780	2,780
Reserves and Surplus	1,79,106	1,95,653	2,52,881	2,87,042
Networth	1,81,575	1,98,122	2,55,661	2,89,822
Growth (%)	6.3	9.1	29.0	13.4
Loan funds	9,22,252	11,28,735	12,65,182	14,44,642
Growth (%)	23.1	22.4	12.1	14.2
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	-	-	-	-
Other Liabilities	47,765	28,625	48,700	48,299
Total Liabilities	11,51,592	13,55,482	15,69,542	17,82,762
Application of funds				
Net fixed assets	8,111	8,769	10,084	11,597
Advances	9,91,952	11,62,140	13,50,060	15,41,559
Growth (%)	24.8	17.2	16.2	14.2
Investments	96,508	1,04,005	1,26,518	1,44,464
Current Assets	26,891	55,359	57,606	59,946
Net current assets	26,891	55,359	57,606	59,946
Other Assets	28,130	25,209	25,273	25,196
Total Assets	11,51,592	13,55,482	15,69,542	17,82,762
Growth (%)	19.7	17.7	15.8	13.6
Business Mix				
AUM	10,25,970	11,96,730	13,76,174	15,69,978
Growth (%)	24.0	16.6	15.0	14.1
On Balance Sheet	10,25,970	11,96,730	13,76,174	15,69,978
% of AUM	100.00	100.00	100.00	100.00
Off Balance Sheet	-	-	-	-
% of AUM	-	-	-	-

Profitability & Capital (%)

Y/e Mar	FY24	FY25	FY26E	FY27E
NIM	6.5	6.1	6.1	6.2
ROAA	1.7	1.9	1.9	2.0
ROAE	10.0	12.4	12.1	12.5

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Int. Inc. / Operating Inc.	37,448	39,572	40,172	41,646
Income from securitization	-	-	-	-
Interest Expenses	19,343	20,459	20,896	21,524
Net Interest Income	18,106	19,113	19,276	20,122
Growth (%)	14.1	12.5	6.4	12.8
Non-Interest Income	1,802	1,872	2,279	2,732
Net Operating Income	19,908	20,985	21,555	22,853
Growth (%)	18.9	15.6	9.4	18.3
Operating expenditure	7,947	8,768	9,427	9,323
PPP	11,961	12,217	12,128	13,530
Growth (%)	-	-	-	-
Provision	7,035	91	4,571	6,597
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	4,927	12,126	7,557	6,933
Tax	1,232	3,131	1,925	1,638
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	25.0	25.8	25.5	23.6
PAT	3,695	8,995	5,631	5,295
Growth	57	63	(9)	3
AUM	11,24,540	11,51,260	11,96,730	12,20,080
YoY growth (%)	20.0	18.6	16.6	14.7
Borrowing	10,32,168	10,45,830	11,28,735	11,08,700
YoY growth (%)	21.6	21.0	22.4	16.3

Key Ratios

Y/e Mar	FY24	FY25	FY26E	FY27E
CMP (Rs)	266	266	266	266
EPS (Rs)	14.3	19.0	20.9	24.6
Book value (Rs)	147.1	160.4	183.9	208.5
Adj. BV(Rs)	139.8	148.2	170.8	193.9
P/E(x)	18.7	14.0	12.7	10.8
P/BV(x)	1.8	1.7	1.4	1.3
P/ABV(x)	1.9	1.8	1.6	1.4
DPS (Rs)	6.3	6.5	7.2	8.9
Dividend Payout Ratio(%)	-	-	-	-
Dividend Yield(%)	2.4	2.4	2.7	3.3

Asset Quality

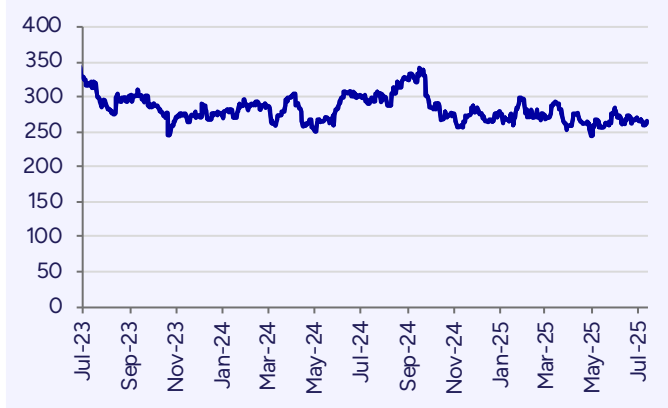
Y/e Mar	FY24	FY25	FY26E	FY27E
Gross NPAs(Rs m)	34,910	44,141	52,730	57,905
Net NPA(Rs m)	12,860	21,559	26,101	28,952
Gross NPAs to Gross Adv.(%)	3.4	3.7	3.8	3.7
Net NPAs to net Adv.(%)	1.3	1.9	1.9	1.9
NPA coverage(%)	63.2	51.2	50.5	50.0

Du-Pont as a % of AUM

Y/e Mar	FY24	FY25	FY26E	FY27E
NII	6.3	5.9	6.0	6.1
NII INCI. Securitization	6.3	5.9	6.0	6.1
Total income	6.8	6.5	6.7	6.8
Operating Expenses	2.8	2.7	2.8	2.8
PPOP	4.0	3.8	3.9	4.0
Total Provisions	1.7	1.3	1.4	1.3
RoAA	1.7	1.9	1.9	2.0
Avg. Assets/Avg. net worth	6.0	6.6	6.4	6.1
RoAE	10.0	12.4	12.1	12.5

Source: Company Data, PL Research

Price Chart



Recommendation History

No. Date Rating TP (Rs.) Share Price (Rs.)

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Finance	Hold	900	925
2	Cholamandalam Investment and Finance Company	Hold	1,575	1,514
3	Shriram Finance	Hold	685	671
4	Sundaram Finance	Hold	5,000	5,167

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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