Dated: 22 July 2026

Mahindra & Mahindra Financial (MMFS) - BUY

Result Update Q1FY27

Current Market Price (CMP)	Fair Value (FV)
Rs. 350	**Rs. 390**

Rationale:

- Mahindra Finance reported a strong quarter, driven by improving disbursements and fees, yoy lower cost of funds, productivity improvements and resilient asset quality that led to low credit costs.
- Following its productivity improvement exercise, the company is gaining share in motor and is actively adding new business segments to improve growth and profitability.
- MMFS' valuations remain inexpensive at 1.6X book and 12X earnings FY2028E.
- Retain BUY with an RGM-based FV of Rs390 (Rs350 earlier). We are not assigning value for the housing business, which is currently sub-optimal (annualized RoA of 1.4% and RoE of 9.2% in Q1FY27).

Positives:

- Net Interest Income ("NII") grew 20% yoy, supported by 13% yoy loan book growth and ~45 bps yoy Net Interest Margin ("NIM") expansion to 7.1%
- NIM expansion was aided by a 57 bps yoy decline in cost of borrowings to 7.2%, offset by a 17 bps yoy compression in yields to 13.6%. Core spread expanded ~40 bps yoy.
- Disbursement growth was 22% yoy, driving 13% loan book growth, supported by tractors (up 45% yoy) and Passenger Vehicles (up 24% yoy)
- Gross stage-2 improved to 4.9% from 5.9% in Q1FY26. Gross Stage-2 + Gross Stage-3 stood at 8.4%, down ~100 bps yoy.

Negatives:

- MMFS reported Profit After Tax of Rs 900 crore (+70% yoy), a 4% miss on our estimates. Core Profit Before Tax at Rs 16,700 cr. was up 29% yoy but came in 4% below our estimates.
- NIM softened qoq. NIM declined ~16 bps qoq to 7.1%, as the cost of borrowings rose ~9 bps qoq to 7.2%.

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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NA – **Not Available or Not Applicable.** The information is not available for display or is not applicable

NM – **Not Meaningful.** The information is not meaningful and is therefore excluded.

NOTE – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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