Dated: 03 August 2026

Muthoot Finance (MUTH) - ADD

Result Update Q1FY27

Current Market Price (CMP)	Fair Value (FV)
Rs. 3,120	**Rs. 3,400**

Rationale:

- Muthoot Finance reported moderate 5.7% qoq loan growth, despite a 4% qoq decline in gold prices in Q1FY27, partially catching up with portfolio Loan To Value (“LTV”).
- Yields, however, declined sharply, which likely reflects a shifting product mix and competition, not unexpected but faster than anticipated.
- With lower forecasts and medium-term growth, we revise FV to Rs3,400 from Rs3,925.
- The business remains vulnerable to gold price movements; at our Revenue Growth Model (“RGM”)-based FV, the stock will trade at 11X earnings and 2.3X book with 22-27% Return on Equity (“RoEs”).

Positives:

- Net Interest Income (“NII”) increased 26% yoy, supported by 43% yoy and 6% qoq Aseet Under Management (“AUM”) growth to Rs 1.72 Lakh crore.
- Credit costs remained benign at 0.12%, down 3 bps yoy and 50 bps qoq, below our estimate of 0.30%.
- Provisions declined 79% qoq to Rs 51 crore, partly cushioning the impact of weaker margins.
- The gross stage-3 ratio declined 30 bps yoy to 2.3%, while remaining broadly stable yoy

Negatives:

- Muthoot Finance reported standalone Profit After Tax (“PAT”) of Rs 2,550 crore in Q1FY27, up 25% yoy, but 19% below our estimate. Core Profit Before Tax (“PBT”) increased 27% yoy, but was 20% below our estimate.
- Net Interest margin (“NIM”) declined 173 bps yoy and 297 bps qoq to 10.4% versus our estimate of 12.4%.
- yield on loans moderated 163 bps yoy and 283 bps qoq to 17.9%, substantially below our estimate of 19.8%.

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.

SUBSCRIBE – We advise investor to subscribe to the IPO.

RS – **Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.

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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