21 October 2026
2QFY27 Results Update | Sector: Financials

Mahindra & Mahindra Financial

Estimate change	⟷
TP change	↓
Rating change	⟷

CMP: INR297 **TP: INR375 (+26%)** **Buy**

Stable quarter; rising CoF to weigh on NIM

Good progress on minimizing inter-quarter volatility; asset quality improves

- Mahindra & Mahindra Financial's (MMFS) 2QFY27 PAT rose 55% YoY to INR8.8b (~7% beat). NII grew 13% YoY to INR23.9b (in line). Other income rose 42% YoY to INR4.4b (14% above est.; PQ: INR3.5b | PY: INR3.1b), driven by higher fee and dividend income, which led to the earnings beat.
- Opex grew 13% YoY to INR10.4b (in line) and the cost-income ratio fell ~130bp YoY to ~36.8% (PY: 38.1%). PPoP grew ~20% YoY to INR17.9b (in line). Credit costs stood at INR6.3b (in line; 2% lower than est.). Annualized credit costs stood at 1.8% (PY: 2.4% and PQ: ~1.7%).
- MMFS targets medium- to long-term AUM growth of 16-18%, with core vehicle lending expected to outpace industry growth marginally and diversification across mortgages, SME lending and leasing driving incremental growth. We model AUM CAGR of ~14% over FY26-28E.
- Management shared that it is closely monitoring stress across 282 drought-prone districts and has reduced exposure in select vulnerable locations while strengthening collections. It also highlighted that it is too early to assess the impact of drought in Maharashtra, given the half-yearly tractor repayment cycle aligned with the Rabi and Kharif seasons. MMFS expects credit costs to remain within 1.3-1.7%, with GS2/GS3 and credit costs remaining broadly stable in 3Q/4Q, assuming stable macroeconomic conditions.
- MMFS' portfolio performance remains healthy, supported by disciplined underwriting, granular risk monitoring, and stable CE. Strong early bucket collections, healthy recovery trends, and multi-year low 30+ DPD levels indicate that underlying asset quality remains resilient, despite seasonally weak trends in 1H of the fiscal year.
- Management overlay of ~INR8.5b created in 2HFY26 provides a buffer against unforeseen risks, underpinning its ~1.3-1.7% credit cost guidance. We keep our FY27/FY28 EPS estimates broadly unchanged. We estimate AUM/PAT CAGR of ~14%/18% over FY26-28 and RoA/RoE of 2.2%/13.5% in FY28. **We reiterate our BUY rating with a TP of INR375 (based on 1.6x Sep'28E BV).**

NIM contracts ~40bp QoQ primarily due to trade advances

- Yields (calc.) declined ~30bp QoQ to ~13.75%, while CoF (calc.) fell ~12bp QoQ to ~7%, leading to a ~17bp QoQ drop in spreads to 6.7%. NIM (calc.) contracted ~40bp QoQ to ~6.75%. Yield and NIM compression was mainly attributed to higher trade advances, which do not earn interest.
- MMFS expects CoB to trend upward as floating-rate borrowings reprice and maturing borrowings are refinanced at higher rates. NIM will see minor compression amid rising CoF, fixed-rate wheels portfolio and limited flexibility to increase lending rates on the incremental disbursements. We model NIM (calc.) of 7%/6.9% for MMFS in FY27E/FY28E.

Bloomberg	MMFS IN
Equity Shares (m)	1390
M.Cap.(INRb)/(USDb)	413.5 / 4.4
52-Week Range (INR)	415 / 273
1, 6, 12 Rel. Per (%)	-14/4/11
12M Avg Val (INR M)	1261

Financials & valuations (INR b)

Y/E March	FY26	FY27E	FY28E
NII	101.1	117.1	128.2
PPP	62.3	73.9	80.1
PAT	27.8	36.5	38.7
EPS (INR)	20.0	26.3	27.9
EPS Gr. (%)	5	31	6
BV/Sh.(INR)	178	197	216
Ratios			
NIM (%)	7.0	7.0	6.9
C/I ratio (%)	38.4	36.9	37.6
RoA (%)	2.0	2.3	2.2
RoE (%)	12.5	14.0	13.5
Payout (%)	37.5	32.6	31.5
Valuations			
P/E (x)	14.9	11.3	10.7
P/BV (x)	1.7	1.5	1.4
Div. Yield (%)	2.5	2.9	3.0

Shareholding pattern (%)

As On	Sep-26	Jun-26	Sep-25
Promoter	52.5	52.5	52.5
DII	31.5	31.5	32.3
FII	10.0	9.6	9.6
Others	6.0	6.5	5.6

FII includes depository receipts

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Business assets grow ~15% YoY; disbursements rise ~22% YoY

- Business assets stood at ~INR1.46t, up ~15% YoY and ~6.6% QoQ. 2Q disbursements stood at ~INR165b, up ~22% YoY and 6% QoQ.
- Tractor disbursements grew 13% YoY, while SME disbursements rose 13% YoY. PV disbursements grew ~28% YoY. Pre-owned vehicle disbursements increased by 15% YoY.
- We expect MMFS to deliver an AUM CAGR of ~14% over FY26-28E.

Asset quality improves; Stage 3 stable and Stage 2 down 17bp QoQ

- GS3 was declined only ~3bp QoQ to 3.42%, while NS3 rose ~3bp QoQ to 1.51%. Stage 3 PCR declined 150bp QoQ to 56.6%.
- Stage 2 declined ~17bp QoQ to ~4.7%. This resulted in 30+dpd declining ~20bp QoQ to ~8.1%. Stage 2 PCR was stable QoQ at 7.8%.
- Collection efficiency in 2QFY27 stood at ~97% (PY: 96%). Write-offs (loan losses) stood at ~INR5.1b (1.6% of TTM EAD). Net slippages into Stage 3 stood at INR7.7b (PY: INR7.2b). We model credit costs (as a % of average assets) of ~1.6% each in FY27E/FY28E.

Key takeaways from the management commentary

- Retail activity and unit disbursements during the first 10 days of Navratri were lower YoY, partly due to a strong base last year following the GST rate rationalization. Tractors are witnessing a relatively sharper slowdown.
- Fee-based income contribution has increased from 1.1% (in FY25) to 1.6% (in 1HFY27), although the entire ~50bp increase in fee income is not attributable to insurance distribution income. Management shared that proposed insurance commission regulations could materially affect fee income if implemented as proposed, although the final impact is uncertain. The company is evaluating alternative levers to offset any potential impact on insurance distribution income.

Valuation and view

- MMFS reported a steady quarter, supported by healthy disbursement and AUM growth. Asset quality improved in 1H, with credit costs remaining contained despite weak monsoons, El Niño concerns and elevated crude prices. NIM declined due to higher liquidity buffers and seasonal trade advances, with management expecting an improvement in NIM in the next quarter.
- MMFS currently trades at 1.4x FY28E P/BV. With a projected AUM/PAT CAGR of ~14%/18% over FY26-28 and RoA/RoE of 2.2%/13.5% in FY28, **we reiterate our BUY rating with a TP of INR375 (based on 1.6x Sep'28E BV).**

Quarterly Performance

(INR Mn)

Y/E March	FY26				FY27E				FY26	FY27E	2QFY27E	v/s est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest income	41,646	41,779	44,071	44,621	46,209	47,325	50,306	52,020	1,72,117	1,95,860	47,595	-1
Interest Expenses	21,524	20,663	21,026	20,707	22,081	23,411	6	25,256	83,921	95,306	23,583	-1
NII	**20,122**	**21,116**	**23,045**	**23,913**	**24,128**	**23,914**	**50,300**	**26,765**	**88,196**	**1,00,554**	**24,012**	0
YoY Growth (%)	12.8	16.6	20.6	24.1	19.9	13.2	118.3	11.9	18.7	14.0	13.7	
Other income	2,732	3,113	3,561	3,480	3,531	4,423	4,312	4,267	12,886	16,533	3,884	14
Net Total Income	**22,853**	**24,230**	**26,606**	**27,393**	**27,658**	**28,337**	**54,611**	**31,032**	**1,01,082**	**1,17,087**	**27,897**	2
YoY Growth (%)	18.3	21.7	26.8	27.1	21.0	17.0	105.3	13.3	23.6	15.8	15.1	
Operating Expenses	9,323	9,240	11,203	10,177	10,099	10,423	11,091	11,551	38,771	43,164	10,442	0
Operating Profit	**13,530**	**14,989**	**15,403**	**17,216**	**17,559**	**17,914**	**43,521**	**19,480**	**62,312**	**73,923**	**17,455**	3
YoY Growth (%)	19.3	25.3	26.1	42.0	29.8	19.5	182.5	13.2	30.8	18.6	16.5	
Provisions	6,597	7,514	4,699	5,603	5,697	6,295	6,637	6,313	24,412	24,943	6,413	-2
Profit before Tax	**6,933**	**7,475**	**10,704**	**11,613**	**11,862**	**11,619**	**36,884**	**13,167**	**37,900**	**48,980**	**11,042**	5
Tax Provisions	1,638	1,782	2,600	2,884	2,876	2,804	3,145	3,666	8,904	12,490	2,816	0
Net Profit	**5,295**	**5,693**	**8,104**	**8,730**	**8,987**	**8,815**	**33,739**	**9,501**	**27,822**	**36,490**	**8,226**	7
YoY Growth (%)	3.2	54.1	-9.9	55.0	69.7	54.8	57.5	8.8	18.6	31.2	44.5	
Key Operating Parameters (%)												
Yield on loans (Cal)	14.2	13.8	14.2	14.0	14.0	13.7	14.1	14.2	14.0	14.0		
Cost of funds (Cal)	7.7	7.3	7.3	7.0	7.1	7.0	7.2	7.4	8.0	8.0		
Spreads (Cal)	6.5	6.5	6.9	7.0	6.9	6.7	6.9	6.8	6.0	6.0		
NIMs	6.7	6.8	7.2	7.3	7.1	6.7	7.0	7.1	7.0	7.0		
Credit Cost (Cal)	2.18	2.4	1.47	1.70	1.68	1.77	1.80	1.67	1.9	1.7		
Cost to Income Ratio	40.8	38.1	42.1	37.2	36.5	36.8	20.3	37.2	38.4	36.9		
Tax Rate	23.6	23.8	24.3	24.8	24.2	24.1	8.5	27.8	23.5	25.5		
Balance Sheet Parameters												
Loans (INR B)	1183	1232	1251	1302	1334	1424	1440	1492	1302	1492		
Change YoY (%)	15.1	13.5	12.1	12.0	12.8	15.5	15.1	14.7	12.0	14.7		
Borrowings (INR B)	1109	1148	1160	1203	1283	1401	1344	1374	1203	1374		
Change YoY (%)	16.3	11.2	11.0	6.6	15.7	22.0	15.8	14.2	6.6	14.2		
Loans/Borrowings (%)	106.7	107.3	107.8	108.2	104.0	101.6	107.2	108.6	108	109		
Debt/Equity (x)	4.7	5.0	4.9						4.9	5.0		
Asset Quality Parameters (%)												
GS 3 (INR B)	47.0	50.1	49.1	45.8	47.4	50.1			45.8	52.6		
Gross Stage 3 (% on Assets)	3.9	3.9	3.8	3.4	3.5	3.4			3.4	3.4		
NS 3 (INR B)	22.8	23.5	23.0	19.0	2.0	21.7			19.0	22.1		
Net Stage 3 (% on Assets)	1.9	1.9	1.8	1.4	1.5	1.5			1.4	1.5		
PCR (%)	51.4	53.0	53.0	58.5	95.8	56.6			58.5	58.0		
ECL (%)	3.0	3.2	3.0	2.9	2.9	2.8			3.2	3.2		
Return Ratios (%)												
ROAA	1.6	1.6	2.3	2.4	2.4	2.2			2.0	2.3		
ROAE	9.8	9.8	13.8	14.4	14.3	13.8			12.5	14.0		

E: MOFSL estimates



Highlights from the management commentary

Guidance

- AUM growth guidance is 16-18% over the medium to long term. Core Wheels lending is expected to grow marginally ahead of industry growth, while non-wheels businesses should drive incremental growth.
- The Wheels business, accounting for ~80% of lending AUM, will factor in macroeconomic conditions, particularly tractor demand. Management will prioritize pricing and risk discipline over aggressive growth if industry demand weakens.
- Disbursement growth is expected to improve in 2HFY27, even as a strong base of 2HFY26 and a constrained operating environment could limit the growth.
- Credit costs are expected to remain within 1.3-1.7%, with GS2/GS3 and credit costs broadly stable in 3Q/4Q if macroeconomic conditions remain steady. Management sees no immediate asset-quality concerns but continues to monitor drought and geopolitical risks.
- The medium-term RoA aspiration remains 2.2-2.5%, with management focused on protecting returns amid rising CoF through selective pricing, fee-income growth and operating efficiencies.
- Cost of borrowing (CoB) is expected to trend upwards as floating-rate borrowings reprice and maturing borrowings are refinanced at higher rates; management does not expect sequential reduction in the CoB in the coming quarters.

Growth

- Disbursements grew 22% YoY, driven by the core wheels business and diversification segments. Core lending grew 21%, while non-wheels lending grew 52%, taking its share to ~20% of lending AUM, including trade advances. Disbursement growth (YoY) was broad-based across passenger vehicles (+28%), used vehicles (+15%), CV&CE (+16%), tractors (+13%), three-wheelers (+32%), SME (+13%) and other businesses (+71%).
- Others segment benefited from elevated trade advances to support festive-season demand, particularly in 3Q, alongside personal loans to existing customers. Prime housing loans, launched in August, remains at an early stage.
- Core wheels market share continues to improve, with growth supported by diversification across mortgages, SME lending, leasing and fee-based income. Subsidiaries are also steadily increasing their contribution.
- Retail activity and unit disbursements during the first 10 days of Navratri were lower YoY, partly due to a strong base last year following the GST rate rationalization. Tractors are witnessing a relatively sharper slowdown.
- 1H vehicle registration data indicated rural and semi-urban growth marginally ahead of urban and metro markets, suggesting no broad-based deterioration in rural demand sentiment so far.

Asset quality

- GS2+GS3 declined to 8.1%, near all-time lows, supported by tighter underwriting guardrails and stronger collection discipline. Sequentially, GS3 declined 3bp and GS2 declined 17bp, compared with an increase of 9bp and a decline of 7bp, respectively, last year.
- Credit costs stood at 1.55% in 2Q, within the guided 1.3-1.7% range. The sequential increase was limited to 5bp vs. 23bp in 2QFY26, while intra-quarter volatility has reduced meaningfully.

- Management expects GS2/GS3 and credit costs to remain broadly stable in 3Q/4Q, assuming stable macroeconomic conditions and improving rural and semi-urban cash flows.
- MMFS holds INR8.5b of overlays against potential El Niño and West Asia-related disruptions, with no immediate requirement for additional buffers. Future provisioning will depend on evolving conditions.
- The company views the current end losses of ~1.2% reasonable given the self-employed and agricultural borrower mix and vehicle resale-value volatility. Further efficiencies could lower losses, although lower residual values following vehicle price changes may limit the scope for improvement.
- Stress across 282 drought-prone districts, including three states of particular concern, remains a key monitorable. The company has reduced funding exposure in select stressed locations and strengthened collection infrastructure where required.
- The company has ~9k dedicated collection officers providing deep local-market coverage. Collection teams are assessing customer-level stress and adopting a flexible approach to genuine repayment difficulties, recognizing that repayment delays do not necessarily translate into defaults.
- It remains too early to assess drought-related stress in Maharashtra, as tractor instalments in agrarian regions are typically half-yearly and coincide with the Rabi and Kharif seasons. Management continues to view tractor financing as attractive across cycles.
- AI-enabled customer cohorts have shown no differentiated trends in 30+ DPD, 60+ DPD or X-bucket delinquencies, although the performance history remains limited.

Margins and profitability

- RoA improved to 2.2% (from 1.6% last year), in line with its medium-term aspiration of 2.2-2.5%. Sequential moderation reflected high liquidity buffers and seasonal trade advances, which temporarily diluted yields.
- Management expects loan income to recover from 2Q levels as excess liquidity and seasonal trade advances normalize and non-earning trade advances are deployed into earning assets.
- NIM expansion will remain challenging amid rising CoF and limited pass-through flexibility. Management aims to protect RoA at ~2.2% or higher through incremental loan pricing and higher fee income.
- Around 45-48% of borrowings are floating-rate, largely linked to repo and Treasury bills, with a smaller MCLR-linked component. Capital-market-linked borrowings may reprice faster, while bank-linked borrowings transmit with a lag.
- CoF is near cyclical lows and is expected to rise following the recent 25bp rate hike and potential further tightening. A 25bp hike could result in 10bp repricing of the existing floating-rate borrowing book within a quarter, with additional pressure from refinancing at higher rates.
- Management does not expect sequential CoF reductions in the coming quarters, despite having optimized the borrowing mix across instruments and tenors last year.
- Most of the lending book is fixed-rate, limiting immediate repricing opportunities. The company intends to price incremental disbursements higher wherever feasible, particularly in self-employed and agricultural segments where competitive intensity is relatively lower than in salaried lending.

- The company plans to leverage its priority-sector lending portfolio, particularly tractor and CV loans, through on-lending and securitization to preserve funding-arbitrage benefits.

Fees and insurance commissions

- Fee-based income contribution has increased from 1% to 1.6% although the entire 60bp increase is not attributable to insurance income. Management shared that proposed insurance commission regulations could materially affect fee income if implemented as proposed, although the final impact remains uncertain. The company is evaluating alternative levers to offset any potential impact.
- The company recently obtained a corporate agency license and also operates a broking arm, making fee-based income an important part of its diversification strategy and targeted growth in non-lending income.
- Proposed IRDAI regulations, if implemented in their current form, could materially affect Mahindra Insurance Brokers (MIBL). This is because of lower proposed commissions on TP and OD motor insurance.
- Management expects stakeholder engagement and industry representations to influence the final regulations. The overall impact remains difficult to quantify until the rules are finalized.
- The company expects to explore alternative revenue levers and scale its still-underpenetrated insurance distribution franchise to offset some of the potential impact.

Operating efficiency and technology

- Cost-to-income declined to below 37% from over 40%, reflecting improved operating efficiency and disciplined cost management.
- AI investments are focused on revenue generation, operations and collections. AI-enabled workflows cover 75% of back-office operations, while 12 regional vernacular AI bots and AI-enabled calling are improving collection efficiency and reducing errors.
- AI-orchestrated disbursements of ~INR16b are primarily driven by top-up/ refinance loans to existing customers and personal loans, alongside dealer-led lending.
- AI-enabled workflows have reduced manual intervention in top-up loans by simplifying vehicle valuation, re-KYC and verification. Adoption remains phased, with further scope to streamline used-vehicle and top-up loan journeys.
- Dealer-led lending continues to require physical presence, although AI-enabled CPC workflows have streamlined the process from in-principle sanction to disbursement.
- The recent increase in headcount reflects renewed growth plans across wheels, SME and mortgages, conversion of consistently performing off-roll employees to on-roll roles, and additional manpower at capacity-constrained dealerships. Management expects to preserve operating leverage despite these investments.

Strategy and diversification

- Management focuses on defending the core wheels franchise, expanding mortgages and SME lending, maintaining risk discipline and strengthening operating efficiency through technology.

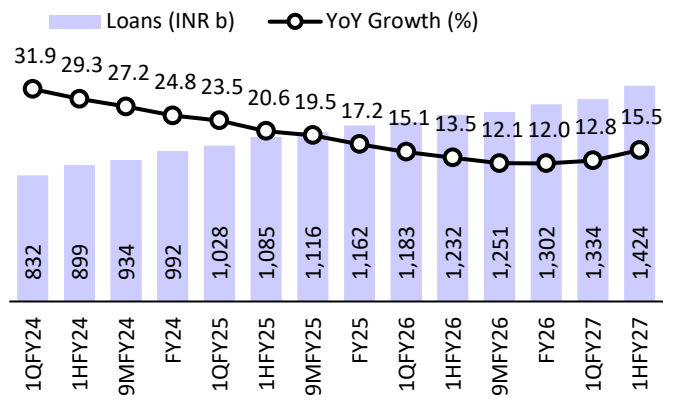
- The medium-term diversification strategy includes mortgages, SME lending, leasing and fee-based income, with non-wheels businesses expected to contribute incrementally to growth.
- Mortgages and SME are key opportunities alongside mobility. MRHFL, which has operated in rural housing finance for 17 years, has faced challenges over the past 3-4 years after Covid. The company plans to expand into affordable housing, loan against property (LAP) and select prime housing segments.
- Mortgage lending could initially weigh on RoA given its relatively lower return profile, but management sees it as a compelling long-term opportunity.
- Integration of MFSL's 1,400 branches and MRHFL's 400 branches is expected to improve distribution efficiency, serve overlapping customer segments and reduce duplication across functions.
- Co-lending remains part of the strategy to enter prime customer segments and generate fee income. Operations have yet to restart under the revised regulatory framework as system integration with partner banks is ongoing; management will provide an update once arrangements go live.
- The merger of the housing finance subsidiary (MRHFL) is progressing as planned, with lender and several other approvals secured. NCLT and certain regulatory approvals remain pending. The appointed date for the merger is expected to be 1st Apr'27, with effective date around Jun-Jul'27; no material change to the timeline is anticipated. Synergy realization remains central to the merger with the standalone entity.

Liquidity and capital

- Capital adequacy stood at 18%, including Tier 1 capital of 16.2%, providing adequate headroom to support the next phase of growth.
- The liquidity buffer has nearly doubled YoY as management remains cautious about West Asia-related risks and potential El Niño/drought-related stress.
- There is limited scope to reduce the elevated liquidity buffer in the near term. Any reduction will be gradual and depend on repayment obligations and improvement in the external environment.

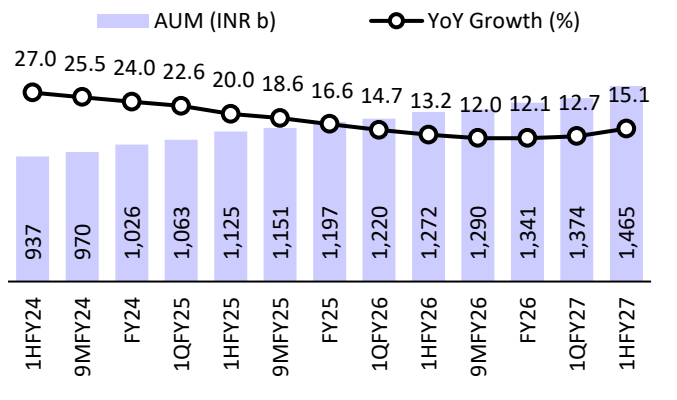
Key exhibits

Exhibit 1: On-book loans grew ~15.5% YoY



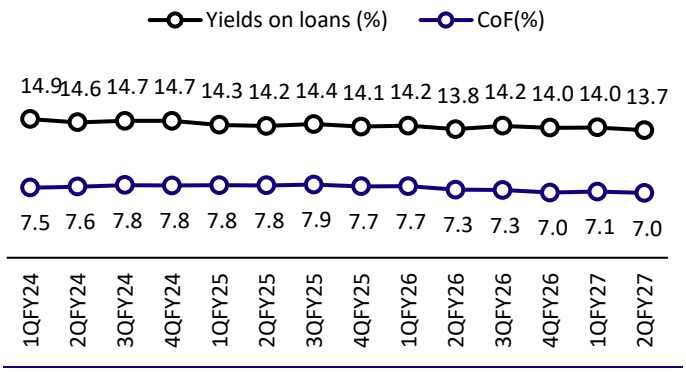
Source: MOFSL, Company

Exhibit 2: Business assets grew ~15% YoY



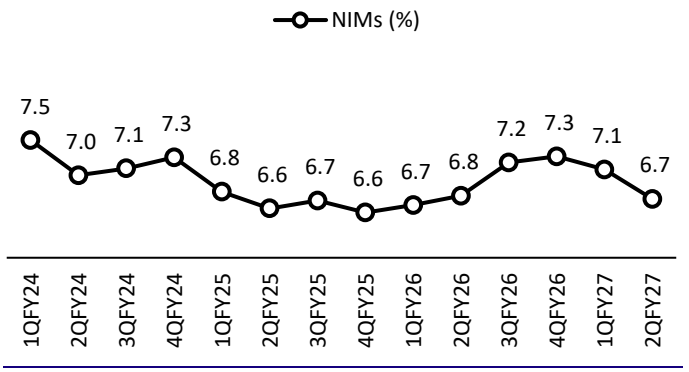
Source: MOFSL, Company

Exhibit 3: Spreads declined ~20bp sequentially



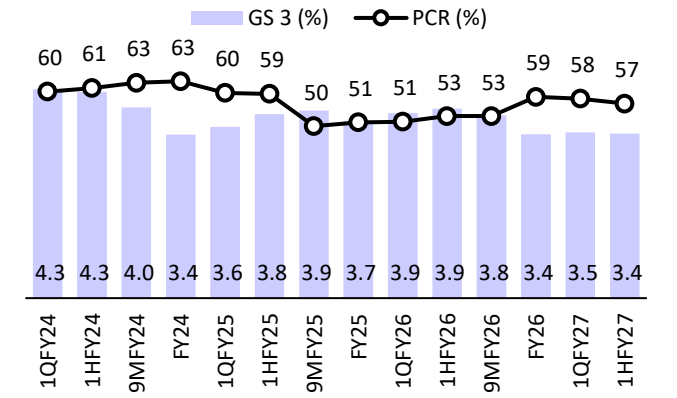
Source: MOFSL, Company

Exhibit 4: NIM (calc.) declined ~40bp QoQ to ~6.7%



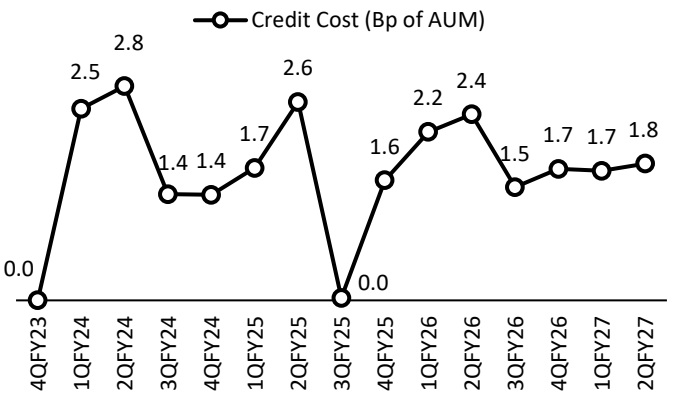
Source: MOFSL, Company

Exhibit 5: GS3 declined ~3bp QoQ to 3.4%



Source: MOFSL, Company

Exhibit 6: Annualized credit costs stood at ~1.8%



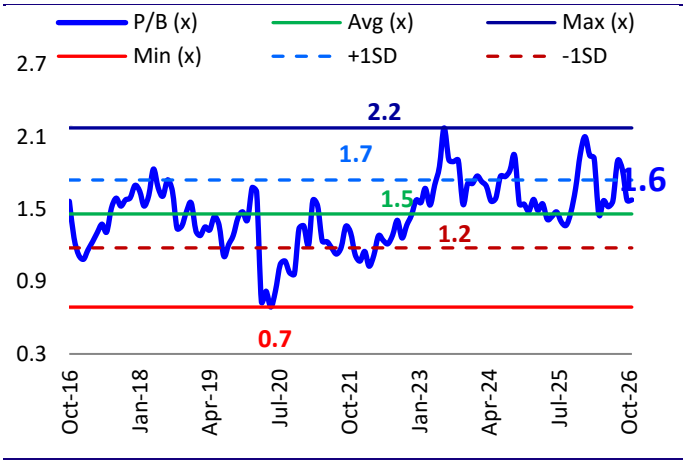
Source: MOFSL, Company

Exhibit 7: We keep our FY27/FY28 EPS estimates broadly unchanged

INR B	Old Est		New Est		% Change	
	FY27	FY28	FY27	FY28	FY27	FY28
NII (incl. Sec. Inc)	115.8	128.9	116.6	127.7	0.7	-0.9
Other Income	0.5	0.5	0.5	0.5	0.0	0.0
Total Income	**116.3**	**129.4**	**117.1**	**128.2**	**0.7**	**-0.9**
Operating Expenses	43.5	48.9	43.2	48.2	-0.8	-1.5
Operating Profits	**72.8**	**80.5**	**73.9**	**80.1**	**1.5**	**-0.5**
Provisions	24.9	28.1	24.9	28.1	0.0	0.0
PBT	**47.9**	**52.4**	**49.0**	**52.0**	**2.3**	**-0.8**
Tax	12.2	13.4	12.5	13.3	2.3	-0.8
PAT	**35.7**	**39.1**	**36.5**	**38.7**	**2.3**	**-0.8**
Loans	1,492	1,705	1,492	1,705	0.0	0.0
Borrowings	1,374	1,564	1,374	1,564	0.0	0.0
Margins	7.0	6.9	7.0	6.9	0.3	-0.7
Credit Cost	1.7	1.7	1.7	1.7	0.0	0.0
RoA on AUM	**2.3**	**2.2**	**2.3**	**2.2**	2.3	-0.9
RoE	**13.7**	**13.6**	**14.0**	**13.5**	2.1	-1.0

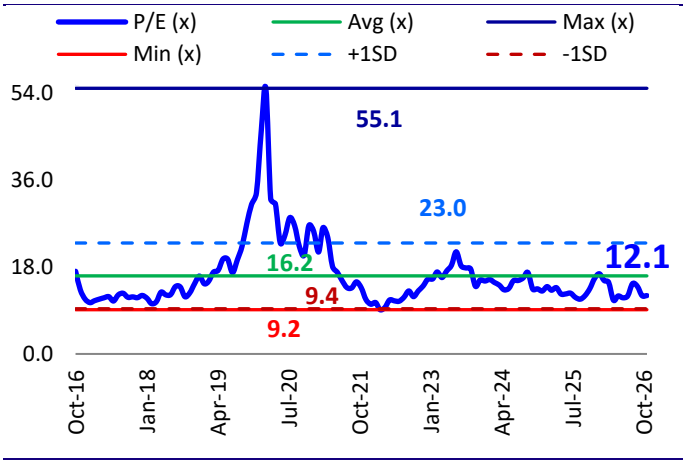
Source: MOFSL, Company

Exhibit 8: One-year forward P/B



Source: MOFSL, Company

Exhibit 9: One-year forward P/E



Source: MOFSL, Company

Financials and valuations

Income Statement

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Interest Income	1,02,670	94,756	1,06,826	1,31,088	1,53,314	1,72,117	1,95,860	2,24,935	2,58,013
Interest Expended	47,332	39,202	45,767	64,269	78,983	83,921	95,306	1,11,660	1,28,775
Net Interest Income	**55,338**	**55,554**	**61,059**	**66,818**	**74,331**	**88,196**	**1,00,554**	**1,13,276**	**1,29,238**
Change (%)	8.2	0.4	9.9	9.4	11.2	18.7	14.0	12.7	14.1
Other Operating Income	1,283	1,824	2,462	2,954	6,875	12,339	16,041	14,437	15,158
Other Income	1,277	608	1,273	1,583	557	547	492	517	543
Net Income	**57,897**	**57,986**	**64,794**	**71,355**	**81,764**	**1,01,082**	**1,17,087**	**1,28,229**	**1,44,939**
Change (%)	6.9	0.2	11.7	10.1	14.6	23.6	15.8	9.5	13.0
Operating Expenses	16,325	20,734	27,276	29,572	34,113	38,771	43,164	48,167	53,871
Operating Profits	**41,573**	**37,252**	**37,518**	**41,783**	**47,651**	**62,312**	**73,923**	**80,062**	**91,068**
Change (%)	22.3	-10.4	0.7	11.4	14.0	30.8	18.6	8.3	13.7
Provisions	37,348	23,683	9,992	18,228	16,179	24,412	24,943	28,067	30,711
PBT	**4,224**	**13,569**	**27,526**	**23,555**	**31,473**	**37,900**	**48,980**	**51,995**	**60,358**
Tax	873	3,682	7,138	5,959	8,022	8,904	12,490	13,259	15,391
Tax Rate (%)	20.7	27.1	25.9	25.3	25.5	23.5	25.5	25.5	25.5
PAT	**3,352**	**9,888**	**19,843**	**17,596**	**23,450**	**27,822**	**36,490**	**38,736**	**44,966**
Change (%)	-63.0	195.0	100.7	-11.3	33.3	18.6	31.2	6.2	16.1
Proposed Dividend (Incl Tax)	986	4,439	7,402	7,777	8,024	10,422	11,885	12,217	14,182

Balance Sheet

INR m

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Equity Share Capital	2,464	2,466	2,467	2,469	2,469	2,779	2,779	2,779	2,779
Reserves & Surplus (Ex OCI)	1,44,651	1,53,815	1,68,422	1,79,106	1,95,653	2,44,808	2,70,876	2,97,728	3,30,477
Net Worth	**1,47,034**	**1,56,200**	**1,70,889**	**1,81,575**	**1,98,121**	**2,47,587**	**2,73,655**	**3,00,507**	**3,33,256**
Other Comprehensive Income	81	81	81	81	81	81	81	81	81
Net Worth	**1,47,115**	**1,56,281**	**1,70,970**	**1,81,656**	**1,98,202**	**2,47,668**	**2,73,736**	**3,00,588**	**3,33,337**
Change (%)	29.5	6.2	9.4	6.3	9.1	25.0	10.5	9.8	10.9
Borrowings	**5,85,767**	**5,58,139**	**7,49,459**	**9,39,786**	**11,28,735**	**12,03,349**	**13,74,220**	**15,64,194**	**17,80,621**
Change (%)	-1.5	-4.7	34.3	25.4	20.1	6.6	14.2	13.8	13.8
Other liabilities	37,483	38,467	41,818	30,231	28,625	28,117	31,210	34,331	37,764
Total Liabilities	**7,70,365**	**7,52,887**	**9,62,166**	**11,51,592**	**13,55,481**	**14,79,053**	**16,79,085**	**18,99,031**	**21,51,641**
Investments	1,16,073	84,403	99,886	96,508	1,04,005	68,204	71,614	75,195	78,954
Change (%)	96.4	-27.3	18.3	-3.4	7.8	-34.4	5.0	5.0	5.0
Loans and Advances	**5,99,474**	**6,04,446**	**7,94,547**	**9,91,952**	**11,62,140**	**13,01,601**	**14,92,402**	**17,04,971**	**19,44,438**
Change (%)	-7.8	0.8	31.5	24.8	17.2	12.0	14.7	14.2	14.0
Other assets	54,818	64,038	67,732	63,132	89,337	1,09,248	1,15,069	1,18,866	1,28,248
Total Assets	**7,70,365**	**7,52,887**	**9,62,165**	**11,51,592**	**13,55,482**	**14,79,053**	**16,79,085**	**18,99,031**	**21,51,641**

E: MOFSL Estimates

Financials and valuations

Ratios									(%)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Spreads Analysis (%)									
Yield on Portfolio	16.4	15.7	15.3	14.7	14.2	14.0	14.0	14.1	14.1
Cost of Borrowings	8.0	6.9	7.0	8.0	8.0	8.0	8.0	8.0	8.0
Interest Spread	8.4	8.9	8.3	6.7	6.2	6.0	6.0	6.1	6.1
Net Interest Margin	8.3	8.6	8.3	7.2	6.7	7.0	7.0	6.9	6.9
Profitability Ratios (%)									
Cost/Income	28.2	35.8	42.1	41.4	41.7	38.4	36.9	37.6	37.2
Empl. Cost/Op. Exps.	62.2	56.5	58.1	57.9	55.8	53.0	53.3	53.0	52.6
RoE	2.6	6.5	12.1	10.0	12.4	12.5	14.0	13.5	14.2
RoA	0.4	1.3	2.3	1.7	1.9	2.0	2.3	2.2	2.2
Asset Quality (%)									
GNPA	57,857	49,760	37,168	34,910	44,140	45,780	52,580	62,808	77,135
NNPA	24,339	20,860	15,071	12,860	21,559	18,976	22,084	27,008	33,940
GNPA %	9.0	7.7	4.5	3.4	3.7	3.4	3.4	3.6	3.8
NNPA %	4.0	3.4	1.9	1.3	1.8	1.4	1.5	1.6	1.7
PCR %	57.9	58.1	59.5	63.2	51.2	58.5	58.0	57.0	56.0
Total Provisions/loans %	7.4	7.5	4.7	3.8	3.2	3.2	3.2	3.3	3.5
Capitalisation (%)									
CAR	26.0	27.8	22.5	18.9	18.3	19.4	18.4	17.4	0.0
Tier I	22.2	24.3	19.9	16.4	15.2	17.0	16.3	15.7	0.0
Tier II	3.8	3.5	2.7	2.5	3.1	2.5	2.0	1.7	0.0
Average Leverage on Assets (x)	5.8	5.0	5.2	6.0	6.6	6.4	6.1	6.2	6.4

Valuation	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Book Value (INR)	119	127	139	147	161	178	197	216	240
BV Growth (%)	-35.3	6.1	9.4	6.2	9.1	11.0	10.5	9.8	10.9
Price-BV (x)	**2.5**	**2.4**	**2.2**	**2.0**	**1.9**	**1.7**	**1.5**	**1.4**	**1.2**
Adjusted BV (INR)	105	114	129	140	148	169	186	203	223
Price-ABV (x)	**2.9**	**2.6**	**2.3**	**2.1**	**2.0**	**1.8**	**1.6**	**1.5**	**1.3**
OPS (INR)	33.7	30.2	30.4	33.8	38.6	44.8	53.2	57.6	65.5
OPS Growth (%)	-38.9	-10.5	0.7	11.3	14.0	16.2	18.6	8.3	13.7
Price-OP (x)	**8.8**	**9.9**	**9.8**	**8.8**	**7.7**	**6.6**	**5.6**	**5.2**	**4.5**
EPS (INR)	2.7	8.0	16.1	14.3	19.0	20.0	26.3	27.9	32.4
EPS Growth (%)	-81.5	194.8	100.6	-11.4	33.3	5.4	31.2	6.2	16.1
Price-Earnings (x)	**109.5**	**37.2**	**18.5**	**20.9**	**15.7**	**14.9**	**11.3**	**10.7**	**9.2**
Dividend	0.8	3.6	6.0	6.3	6.5	7.5	8.6	8.8	10.2
Dividend Yield (%)	**0.3**	**1.2**	**2.0**	**2.1**	**2.2**	**2.5**	**2.9**	**3.0**	**3.4**

E: MOFSL Estimates

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412, BSE enlistment no. 5028, AMFI registered Mutual Fund Distributor and SIF Distributor: ARN .: 146822. IRDA Corporate Agent – CA0579, APMI: APRN00233. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

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