

MUTHOOT FINANCE

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	3,393
12 month price target (INR)	4,000
52 Week High/Low	3,407/1,752
Market cap (INR bn/USD bn)	1,362/15.4
Free float (%)	26.6
Avg. daily value traded (INR mn)	1,992.1

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	73.4%	73.4%	73.4%
FII	11.6%	10.8%	11.0%
DII	11.4%	12.2%	11.7%
Pledge	0%	0%	0%

FINANCIALS

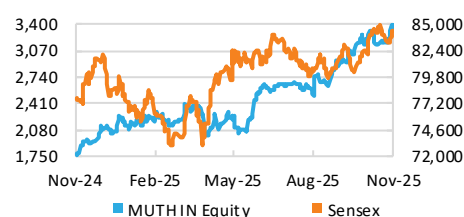
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	80393	107271	164334	201860
PPoP	56466	78373	126650	156936
Adjusted profit	40497	52008	91724	111964
Diluted EPS (INR)	100.9	129.5	228.5	278.9
EPS growth (%)	16.6	28.4	76.4	22.1
RoAE (%)	17.9	19.7	28.6	27.8
P/E (x)	33.6	26.2	14.9	12.2
P/ABV (x)	5.9	5.0	3.8	3.0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	1,64,334	2,01,860	14.4%	18.4%
PPOP	1,26,650	1,56,936	16.2%	21.5%
Adjusted profit	91,724	1,11,964	23.2%	28.0%
Diluted EPS (INR)	228.5	278.9	23.2%	28.0%

PRICE PERFORMANCE



Q2FY26 — Big beat once again

Muthoot reported a big beat on AUM growth, NIM and credit cost. Strong AUM growth of 10% QoQ/47% YoY, a 51bp QoQ increase in NIM and 33bp decrease in GS3 ratio are key positives. Excluding recovery interest, yield improved 53bp QoQ as the company lent to the higher yield segment. Core NII expanded 18% QoQ led by higher yield and 10bp decline in CoF. Contribution of subsidiaries to gold loans is rising.

Given strong and better-than-peers earnings and Muthoot's ability to shield loan yields from rising competition, we retain 'BUY'. The stock trades at 3.8x/3x FY26E/27E BV. We are raising FY26E/27E EPS by 23%/28%. We revise TP to INR4000/4.5x FY26E BV from INR2,993. Demand for gold loans from low-income borrowers shall stay strong.

Strong AUM growth with higher core NIM

Gold AUM rose 10% QoQ/45% YoY. Non-gold AUM (PL/SME) grew 8% QoQ/83% YoY to 6% of total AUM. Tonnage was flat QoQ. Active customers rose at a modest 2% QoQ even with healthy addition of 0.42mn new customers (same as Q1) because given the short loan tenor of three–six months, every quarter old customers also exit. In addition to Muthoot Finance, gold loan growth was strong even in Muthoot Money (100% subsidiary). AUM at Muthoot Money shot up 182% YoY driven by growth in gold while the non-gold (vehicle finance) portfolio is being run down. Belstar (microfinance subsidiary) is also growing its gold portfolio and opened 23 gold branches in H1FY26. Loan yield improved 33bp QoQ. Interest recovery from NPL+ARC was lower at INR3bn versus INR3.5bn QoQ. Core yield improved 53bp QoQ while total yield rose 33bp. CoF fell 10bp. NIM improved 51bp QoQ. NII expanded 15% QoQ while core NII grew 18%. Interest recovery appears high as a proportion of AUM in the last two quarters because of a high portion of interest embedded in NPLs. Operating expenses grew 34% YoY/9% QoQ. PPOP grew 71% YoY/17% QoQ. Credit cost of 34bp was higher than 14bp QoQ, but much lower than expected. PAT grew 87% YoY/15% QoQ. Management expect loan yield to settle at 18.5–18.75% with interest recovery of more than INR900mn from existing NPLs in H2. All bank borrowings are MCLR-linked and CoF could fall by 15–20bp in FY27E.

Asset quality continues to improve

Stage 3 loans decreased 4% QoQ. Stage 2 loans plummeted 50% QoQ. Overall NPLs declined 33bp to 2.25% from 2.58% QoQ. Muthoot auctioned a small amount of INR0.05bn of gold in Q2 versus INR0.13bn of gold in Q1 and INR0.8bn in Q4. ECL/EAD remained strong at 1.21%. Credit cost remained low at 34bp though higher than 14bp QoQ. Muthoot provides 100% on non-gold NPLs.

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Interest Income	39,917	25,180	58.5%	34,732	14.9%
PPOP	32,655	19,150	70.5%	27,887	17.1%
PAT	23,452	12,511	87.4%	20,463	14.6%
EPS	58.4	31.2	87.5%	51.0	14.6%

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Net interest income	77,928	1,04,482	1,58,284	1,95,386
Non interest income	2,465	2,789	6,050	6,474
Net revenues	80,393	1,07,271	1,64,334	2,01,860
Operating expense	23,927	28,898	37,684	44,924
Employee exp.	13,869	16,966	22,395	27,322
Other opex	10,058	11,932	15,289	17,602
Preprovision profit	56,466	78,373	1,26,650	1,56,936
Provisions	1,978	7,667	3,000	6,000
PBT	54,488	70,706	1,23,650	1,50,936
Taxes	13,991	18,698	31,926	38,972
PAT	40,497	52,008	91,724	1,11,964
Extraordinaries	0	0	0	0
Reported PAT	40,497	52,008	91,724	1,11,964
Diluted EPS (INR)	100.9	129.5	228.5	278.9

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Net interest margins	10.3	10.6	11.2	10.6
Cost-income	29.8	26.9	22.9	22.3
Tax rate	25.7	26.4	25.8	25.8

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted PE (x)	33.6	26.2	14.9	12.2
Price/ABV (x)	5.9	5.0	3.8	3.0

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Equity capital	4,015	4,015	4,015	4,015
Reserves	2,38,888	2,80,361	3,53,741	4,43,311
Net worth	2,42,903	2,84,375	3,57,756	4,47,326
Borrowings	5,87,328	8,98,011	13,24,566	15,89,479
Total	8,50,284	12,12,488	17,16,109	20,74,719
Assets				
Loans	7,70,014	10,86,810	15,75,874	18,91,049
Investments	22,683	44,991	57,884	93,084
Fixed assets	4,384	4,925	5,072	5,580
Other assets	53,202	75,763	77,278	85,006
Total	8,50,284	12,12,488	17,16,109	20,74,719
BV/share (INR)	605.1	708.4	891.2	1114.3

Balance Sheet Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Credit growth	19.8	41.1	45.0	20.0
Gross NPA ratio	3.6	3.4	2.2	2.5

ROA Decomposition (%)

Year to March	FY24A	FY25A	FY26E	FY27E
NII/Assets	9.9	10.1	10.8	10.3
Net revenues/assets	10.2	10.4	11.2	10.6
Opex/Assets	(3.0)	(2.8)	(2.6)	(2.4)
Provisions/Assets	(0.3)	(0.7)	(0.2)	(0.3)
Taxes/Assets	(1.8)	(1.8)	(2.2)	(2.1)
Total costs/Assets	(5.1)	(5.4)	(5.0)	(4.7)
RoA	5.1	5.0	6.3	5.9
Equity/Assets	28.8	25.6	21.9	21.2
RoAE	17.9	19.7	28.6	27.8

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	1658.6	2842.4	7636.6	2206.7
RoAE	17.9	19.7	28.6	27.8

Q2FY26 earnings call: Key takeaways

Guidance

- Muthoot Finance has significantly raised AUM growth guidance for FY26 from 15% to 30–35%, citing strong momentum and franchise tailwinds (higher gold prices and favourable regulatory clarifications)
- Management reiterated intent to scale up the non-gold portfolio prudently.
- On yields, management said the run-rate should settle around the 18.5–18.75% range, acknowledging that QoQ numbers can carry some lift from NPA churn and recoveries.
- New RBI regulations regarding LTVs are not touted to materially alter the model. Operational changes tied to revised LTVs (for ticket size < INR0.25mn) would be considered from April 1, 2026.

Asset quality

- Management clarified that NPAs in gold portfolio are a matter of conscious, customer-centric choice rather than financial stress. The underlying gold collateral remains with the company and accounts are allowed to stay in NPA status longer to give customers more time to repay and avoid unnecessary auctions.
- Management, therefore, does not target a specific NPA ratio, but directionally Stage 3 should hover between existing levels of 2% and 3%.
- Auctions were minimal, aided by elevated gold prices. Q2 auctions were INR50mn (versus INR130mn in Q1), further supporting customer-friendly resolution strategies.
- On the ARC transaction, management said that INR900–1200mn of inflows were still to come in H2.

Yields

- This quarter's yield uptick of 43bp (from 19.56% in Q1 to 19.99% in Q2) was driven by liquidation from old NPA dues. These realisations translated into ~INR3bn-plus of additional interest recognition from accounts where interest had earlier been derecognised.

Funding and liability mix

- All bank borrowings are linked to the one-year MCLR. Management cited an incremental borrowing rate of ~8.65–8.8% for term loans in the current environment.
- ECBs accounted for ~16% share of liability mix.

Other key points

- In Belstar Microfinance, management has prioritised consolidation and portfolio clean-up over near-term growth. They guided to losses tapering and potentially approaching break-even over the next two quarters before a calibrated rebuild thereafter.

- Belstar has also opened 23 new gold loan branches in order to diversify their portfolio. The goal is to open 150 such branches in FY26.
- Regarding Muthoot Finance, management stated that around 100–200 branches are opened every year, with a similar number likely in FY26 as well.
- Gold loan ticket-size mix was stated as follows: ~44% of the book is above INR0.3mn and ~33% is between INR0.1mn and INR0.3mn.

Exhibit 1: Changes in estimates

	FY26E	FY27E Old	FY26E	FY27E New	FY26E	FY27E % Change
NII, INR M	1,40,957	1,67,798	1,58,284	1,95,386	12.3%	16.4%
PAT, INR M	74,435	87,464	91,724	1,11,964	23.2%	28.0%
EPS, INR	185.4	217.9	228.5	278.9	23.2%	28.0%
Target Price, INR		2,993		4,000	33.6%	
CMP				3,393		
% Upside				17.9%		
Rating		BUY		BUY		

Source: Company, Nuvama Research

Exhibit 2: Movement in yield, CoF and spread

%	Q2FY26	Q1FY26	Q4FY25	Q3FY25	Q2FY25
Yield	20.0	19.6	18.6	18.6	18.7
Cost of funds	8.8	8.9	9.0	8.8	9.0
Unadjusted Spread	11.2	10.7	9.6	9.8	9.6

Source: Company, Nuvama Research

Exhibit 3: Stress loans and provisioning coverage

INR mn	Q2FY26	Q1FY26	Q4FY25	Q3FY25	Q2FY25
Stage I Loan Assets	12,87,935	11,58,809	10,44,433	9,27,604	8,51,124
Stage II Loan Assets	5,340	10,556	5,042	6,089	12,034
Stage III Loan Assets	29,774	30,945	37,004	41,179	38,807
% Stage III Assets on Gross Loan Assets	2.3	2.6	3.4	4.2	4.3
ECL Provision on Gross Loan Assets	15,986	15,647	15,731	15,211	13,373
ECL Provision as % of Gross Loan Assets	1.21	1.30	1.45	1.56	1.48
Excess Provision outstanding in books	2,954	2,954	2,954	2,954	2,954

Source: Company, Nuvama Research

Exhibit 4: Income statement summary

INR mn	Q2FY26	Q1FY26	Q4FY25	Q3FY25	Q2FY25	QoQ	YoY
Operating income	63,044	55,923	47,836	43,690	40,685	12.7%	55.0%
Interest expended	23,126	21,191	18,797	16,476	15,505	9.1%	49.2%
Net operating income	39,917	34,732	29,039	27,214	25,180	14.9%	58.5%
Other Income	1,565	1,277	1,049	622	577	22.6%	171.1%
Net revenues	41,482	36,009	30,088	27,836	25,758	15.2%	61.0%
Operating Expenses	8,827	8,121	8,610	7,243	6,608	8.7%	33.6%
PPoP	32,655	27,887	21,478	20,593	19,150	17.1%	70.5%
Provisions & write-offs	1,141	433	1,274	2,088	2,070	163.8%	-44.9%
Profit before tax	31,514	27,455	20,204	18,505	17,080	14.8%	84.5%
Tax	8,063	6,992	5,126	4,874	4,568	15.3%	76.5%
Profit after tax	23,452	20,463	15,078	13,631	12,511	14.6%	87.4%
Diluted EPS (INR)	58.4	51.0	37.6	34.0	31.2	14.6%	87.5%

Source: Company, Nuvama Research

Company Description

Muthoot is the largest gold-financing NBFC with an operating history of more than 70 years when M George Muthoot (father of promoters) founded a gold loan business in 1939. At present, it is a closely held family-owned business with promoters (sons of M. George Muthoot and their family) continuing to hold a substantial stake. Headquartered in Kerala, the gold loan NBFC is majorly located in southern India. Muthoot has created a leadership position in lending against gold jewellery. The Muthoot group has interests in diversified businesses in areas of hospitality, media, education, healthcare, information technology, etc. However, gold loans continue to be the mainstay; hence, Muthoot Finance continues to be the flagship company.

Investment Theme

With strong and better-than-peers earnings and Muthoot's ability to shield loan yields from rising competition, we reiterate BUY. The stock trades at 3.8x/3x FY26E/FY27E BV. We increase EPS by 23%/28% for FY26E/FY27E. We revise TP to INR 4000 /4.5x BV FY26E from INR 2,993. Demand for gold loans from low-income borrowers will remain strong.

Key Risks

- Competition from banks and fintechs
- Fluctuation in gold prices
- High NPLs in non-gold business

Additional Data

Management

CEO	George Alexander Muthoot
CFO	Oommen K Mammen
CS	Rajesh A
Auditor	Elias George & Co

Holdings – Top 10*

	% Holding	% Holding
SBI MF	5.19	

*Latest public data

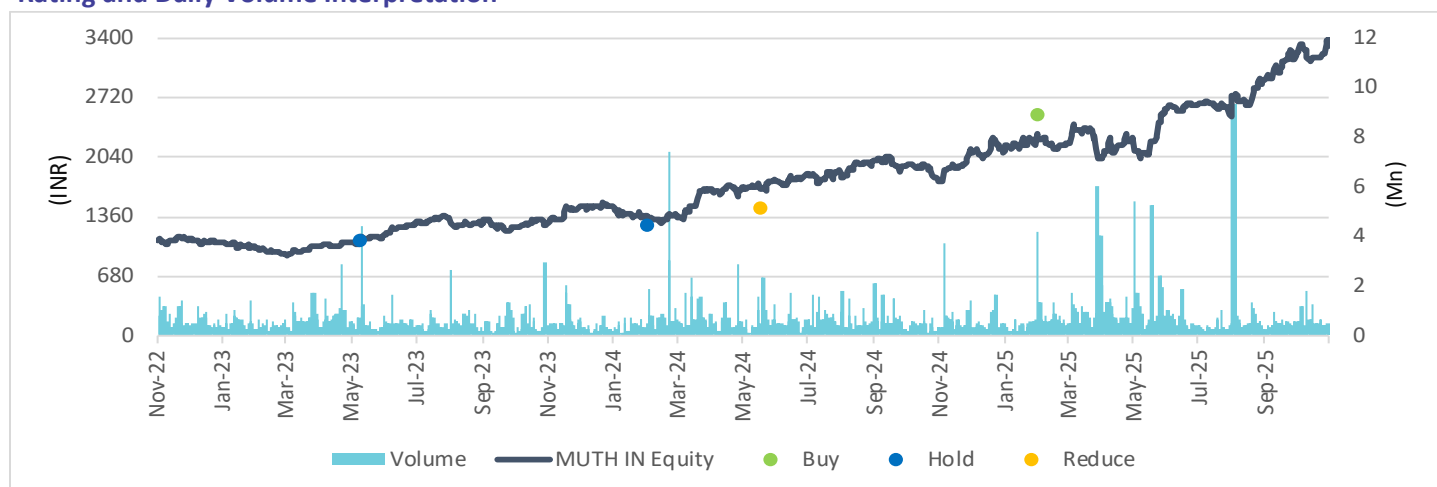
Recent Company Research

Date	Title	Price	Reco
13-Aug-25	Shining brighter than peers; <i>Result Update</i>	2,510	Buy
14-May-25	Q4FY25 – Strong growth and RoA; <i>Result Update</i>	2,260	Buy
12-Feb-25	Q3FY25 – Another solid quarter; <i>Result Update</i>	2,183	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
07-Nov-25	Cholamandalam	Q2FY26 – Mixed performance; <i>Result Update</i>
01-Nov-25	Spandana Sphoorty	Still a loss, but recovering slowly; <i>Result Update</i>
31-Oct-25	Capri Global Capital	Growth intact; <i>Result Update</i>

Rating and Daily Volume Interpretation



Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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Abneesh Roy

Head of Research Committee

Abneesh.Roy@nuvama.com
