

MUTHOOT FINANCE

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	2,511
12 month price target (INR)	2,993
52 Week High/Low	2,718/1,752
Market cap (INR bn/USD bn)	1,008/11.5
Free float (%)	26.6
Avg. daily value traded (INR mn)	1,781.7

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	73.4%	73.4%	73.4%
FII	10.8%	11.7%	13.0%
DII	12.2%	11.0%	10.3%
Pledge	0.0%	0.0%	0.0%

FINANCIALS

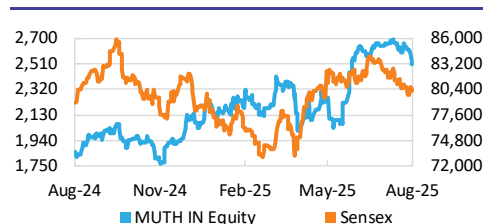
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	80393	107271	143597	170438
PPoP	56466	78373	108992	129163
Adjusted profit	40497	52008	74435	87464
Diluted EPS (INR)	100.9	129.5	185.4	217.9
EPS growth (%)	16.6	28.4	43.1	17.5
RoAE (%)	17.9	19.7	23.7	23.0
P/E (x)	24.9	19.4	13.5	11.5
P/ABV (x)	4.4	3.5	2.9	2.4

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	1,43,597	1,70,438	8.7%	9.9%
PPoP	1,08,992	1,29,163	10.4%	10.9%
Adjusted profit	74,435	87,464	14.4%	13.6%
Diluted EPS (INR)	185.4	217.9	14.4%	13.6%

PRICE PERFORMANCE



Shining brighter than peers

Muthoot reported a strong Q1FY26 unlike peers, with an all-round beat. Strong AUM growth of 10% QoQ/42% YoY, an 88bp QoQ improvement in NIM, favourable opex and a significant decrease in credit cost are key positives of Q1FY26. Gold AUM rose 40% YoY/10% QoQ. Recoveries of INR3.5bn including INR1bn from ARC and the rest from NPLs were passed through interest, resulting in a 100bp rise in QoQ yield. Even without recoveries, yield was stable versus a decrease for peers. Contribution of subsidiaries to gold loans is increasing.

With strong earnings that are substantially better than peers, we reiterate 'BUY'. We are increasing TP to INR2,993/3.4x BV FY26E from INR2,625. Muthoot is confident about maintaining yield and growth.

Strong AUM growth with higher NIM

Gold AUM rose 10% QoQ/40% YoY. Non-gold AUM (PL/SME) grew 20% QoQ/101% YoY to 6% of total AUM. Rise in tonnage is modest at 1% QoQ due to higher gold prices. Active customers rose mere 1% QoQ even with healthy addition of 0.42mn new customers (0.41mn In Q4FY25) because given the short loan tenor of 3–6 months, every quarter old customers also exit. Besides Muthoot Finance, gold loan growth was strong even in Muthoot Money (100% subsidiary). AUM at Muthoot Money shot up 202% YoY driven by growth in gold while non-gold (vehicle finance) portfolio is being run down. Non-gold AUM at Muthoot Money was INR1.5bn/3% of AUM. Belstar (microfinance subsidiary) is also growing its gold portfolio and currently has 15 branches, which will be scaled up to 50. Operating expenses grew 26% YoY/fell 6% QoQ. Management expects opex to grow at the rate of inflation hereon. PPOP surged 63% YoY/30% QoQ. With a sharp decline in credit cost, PAT soared 90% YoY/36% QoQ. While competition is rising, management is confident of retaining yield and does not want to pursue the pricing cut strategy of peers.

GS2 and GS3 decrease QoQ; credit cost declines sharply

GS3 loans decreased 16% QoQ as the company recovered INR6bn in gold and non-gold. Stage 2 loans plunged 60% YoY. Non-gold NPLs fell to INR2.7bn from INR3bn QoQ. Overall NPLs decreased to 2.58% from 3.41% QoQ. Muthoot auctioned INR0.13bn of gold in Q1 versus INR0.8bn in Q4. ECL/EAD remained strong at 1.3%. Credit cost fell sharply to 0.15% of AUM from 0.49% QoQ. The company recovered INR1bn from the ARC in addition to normal NPL recoveries. It is expecting a further recovery of INR1.5bn from ARC in coming quarters. Muthoot provides 100% on non-gold NPLs. As such, with the INR0.3bn recovery in NPLs in non-gold, provisions reduced by an equal amount.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	34,732	23,049	50.7%	29,039	19.6%
Pre-provisioning Profits	27,887	17,153	62.6%	21,478	29.8%
Reported Profits	20,463	10,787	89.7%	15,078	35.7%
EPS	51.0	26.9	89.7%	37.6	35.7%

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Net interest income	77,928	1,04,482	1,40,957	1,67,798
Non interest income	2,465	2,789	2,640	2,640
Net revenues	80,393	1,07,271	1,43,597	1,70,438
Operating expense	23,927	28,898	34,605	41,274
Employee exp.	13,869	16,966	20,868	25,459
Other opex	10,058	11,932	13,737	15,816
Preprovision profit	56,466	78,373	1,08,992	1,29,163
Provisions	1,978	7,667	8,500	11,000
PBT	54,488	70,706	1,00,492	1,18,163
Taxes	13,991	18,698	26,058	30,700
PAT	40,497	52,008	74,435	87,464
Extraordinaries	0	0	0	0
Reported PAT	40,497	52,008	74,435	87,464
Diluted EPS (INR)	100.9	129.5	185.4	217.9

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Net interest margins	10.3	10.6	10.8	10.5
Cost-income	29.8	26.9	24.1	24.2
Tax rate	25.7	26.4	25.9	26.0

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted PE (x)	24.9	19.4	13.5	11.5
Price/ABV (x)	4.4	3.7	2.9	2.4

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	3,40,252	4,10,810
Net worth	2,42,903	2,84,375	3,44,267	4,14,825
Net revenues	80,393	1,07,271	1,43,597	1,70,438
Total	8,50,284	12,12,488	15,00,567	17,99,755
Assets				
Loans	7,70,014	10,86,810	13,58,512	16,30,215
Investments	22,683	44,991	53,298	71,908
Fixed assets	4,384	4,925	5,417	5,959
Other assets	53,202	75,763	83,340	91,673
Total	8,50,284	12,12,488	15,00,567	17,99,755

Balance Sheet Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Credit growth	19.8	41.1	25.0	20.0
Gross NPA ratio	3.6	3.4	27	2.6

ROA Decomposition (%)

Year to March	FY24A	FY25A	FY26E	FY27E
NII/Assets	9.9	10.1	10.4	10.2
Net revenues/assets	10.2	10.4	10.6	10.3
Opex/Assets	(3.0)	(2.8)	(2.6)	(2.5)
Provisions/Assets	(0.3)	(0.7)	(0.6)	(0.7)
Taxes/Assets	(1.8)	(1.8)	(1.9)	(1.9)
Total costs/Assets	(5.1)	(5.4)	(5.1)	(5.0)
RoA	5.1	5.0	5.5	5.3
Equity/Assets	28.8	25.6	23.2	23.0
RoAE	17.9	19.7	23.7	23.0

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	16.6	28.4	43.1	17.5
RoAE	17.9	19.7	23.7	23.0

Q1FY26 earnings call: Key takeaways

Management guidance

- Non-gold loan business (currently ~13–14% of total portfolio) is likely to rise to ~15–20% though gold loans remain the core focus area.
- Management aims to maintain spreads at ~9.5%; any significant CoF reduction shall be passed on to customers.
- Recoveries from ARCs are anticipated at INR1–1.5bn over the coming quarters.

Gold loan guidelines

- The RBI's revised gold loan norms (effective Mar-26) raise the LTV cap from 75% to 85% for loans ≤INR0.25mn and ~85% of Muthoot's customers fall in this segment.
- The guidelines are viewed as business-friendly, enabling greater flexibility and more product offerings.
- No shift in strategy is there on ticket-size. The company will continue serving both small and large-ticket customers.

Loans

- AUM breakdown by ticket sizes - above INR0.3mn is 40%, INR0.1mn to INR0.3mn is 34%, below INR0.1mn is 26% and below INR50k is 11%.
- By customer count, 85% have ticket sizes ≤INR0.25mn; 15% are above that threshold.
- Gold tonnage growth has been modest due to higher gold prices as customers need to pledge less gold for the same loan amount; average LTV in the quarter was ~63%.

Asset quality

- Gold loan NPAs declined by ~INR7bn QoQ, driven mainly by customer redemptions rather than auctions.
- Non-gold loan NPAs fell by ~INR300mn, which had 100% provisions, resulting in a full provisioning reversal.
- Auctions remained low at ~INR130mn in the quarter.

Yield, cost and margins

- Yields during the quarter were 19.56% versus 18.57% in Q4FY25 aided by INR3bn interest income from NPA recoveries and INR1bn interest from ARC recoveries.
- Ex-recoveries, yields were stable sequentially.
- Borrowing cost declined 11bp QoQ driven by lower NCD rate. The company's borrowings are largely MCLR linked. Management expects MCLR rate reductions over the next three–six months.

Opex

- Business per branch exceeded INR250mn, which led to improving efficiency and lowering opex.

- Opex is likely to remain broadly flat in absolute terms and rise only in line with inflation.

Subsidiaries

- Belstar Microfinance:** Operates 15 gold loan branches; plans to add ~50 more in the next quarter. Provisioning cycle improving with ~99.8% collection efficiency on loans disbursed since Nov-24; profitability likely by Q3FY26.
- Muthoot Money:** AUM reached INR50bn with ~INR1.5bn in vehicle loans and the balance in gold loans. Branch count at 997; RBI approval will be sought if it crosses 1,000.

Exhibit 1: Change in estimates

	FY26E Old	FY27E	FY26E New	FY27E	FY26E % Change	FY27E
NII, INR M	1,29,456	1,52,478	1,40,957	1,67,798	8.9%	10.0%
PAT, INR M	65,061	76,991	74,435	87,464	14.4%	13.6%
EPS, INR	162.1	191.8	185.4	217.9	14.4%	13.6%
BVPS, INR	838.9	992.3	857.6	1,033.3	2.2%	4.1%
Target Price, INR		2,625		2,993	14.0%	
CMP				2,511		
% Upside				19.2%		
Rating		BUY		BUY		

Source: Company, Nuvama Research

Exhibit 2: Movement in yield, CoF and spread

%	Q1FY26	Q4FY25	Q3FY25	Q2FY25	Q1FY25
Yield	19.6	18.6	18.6	18.7	18.3
Cost of funds	8.9	9.0	8.8	9.0	8.7
Unadjusted Spread	10.7	9.6	9.8	9.6	9.5

Source: Company, Nuvama Research

Exhibit 3: Stress loans and provisioning coverage

INR mn	Q1FY26	Q4FY25	Q3FY25	Q2FY25	Q1FY25
Stage I Loan Assets	11,58,809	10,44,433	9,27,604	8,51,124	7,83,009
Stage II Loan Assets	10,556	5,042	6,089	12,034	26,697
Stage III Loan Assets	30,945	37,004	41,179	38,807	33,532
% Stage III Assets on Gross Loan Assets	2.6	3.4	4.2	4.3	4.0
ECL Provision on Gross Loan Assets	15,647	15,731	15,211	13,373	11,459
ECL Provision as % of Gross Loan Assets	1.3	1.45	1.56	1.48	1.36
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	Q1FY26	Q4FY25	Q3FY25	Q2FY25	Q1FY25	QoQ	YoY
Operating income	55,923	47,836	43,690	40,685	36,560	16.9%	53.0%
Interest expended	21,191	18,797	16,476	15,505	13,511	12.7%	56.8%
Net operating income	34,732	29,039	27,214	25,180	23,049	19.6%	50.7%
Other Income	1,277	1,049	622	577	541	21.7%	135.9%
Net revenues	36,009	30,088	27,836	25,758	23,590	19.7%	52.6%
Operating Expenses	8,121	8,610	7,243	6,608	6,437	-5.7%	26.2%
PPoP	27,887	21,478	20,593	19,150	17,153	29.8%	62.6%
Provisions & write-offs	433	1,274	2,088	2,070	2,236	-66.1%	-80.7%
Profit before tax	27,455	20,204	18,505	17,080	14,917	35.9%	84.1%
Tax	6,992	5,126	4,874	4,568	4,130	36.4%	69.3%
Profit after tax	20,463	15,078	13,631	12,511	10,787	35.7%	89.7%
Diluted EPS (INR)	51.0	37.6	34.0	31.2	26.9	35.7%	89.7%

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 earnings that are substantially better than peers, we reiterate BUY. We increase TP to INR 2,993 /3.5x BV FY26E from INR 2,625. Muthoot is confident about maintaining yield and growth.

Key Risks

- Competition from banks and fintechs
- Fluctuation in gold prices

Additional Data

Management

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

Holdings – Top 10*

	% Holding	% Holding
SBI MF	6.67	

*Latest public data

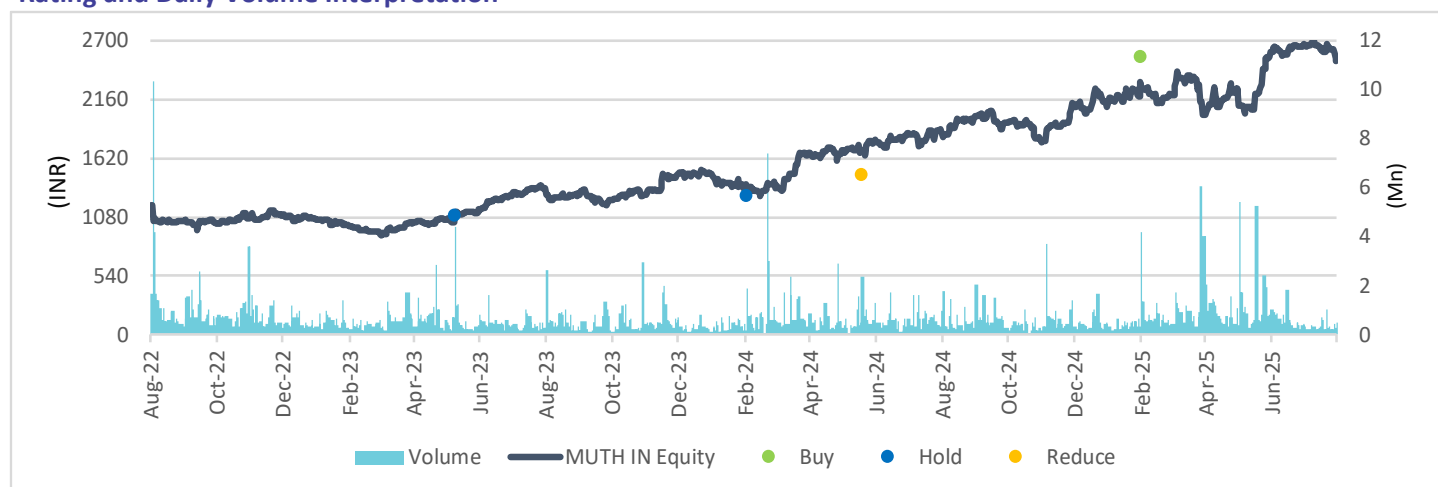
Recent Company Research

Date	Title	Price	Reco
14-May-25	Q4FY25 – Strong growth and RoA; <i>Result Update</i>	2,259	Buy
12-Feb-25	Q3FY25 – Another solid quarter; <i>Result Update</i>	2,182	Buy
14-Nov-24	Q2FY25 – Solid quarter; <i>Result Update</i>	1,770	Reduce

Recent Sector Research

Date	Name of Co./Sector	Title
05-Aug-25	Capri Global Capital	Robust growth across metrics ; <i>Result Update</i>
04-Aug-25	LIC Housing Finance	Weak growth; higher credit cost; <i>Result Update</i>
01-Aug-25	Cholamandalam	Q1FY26 – Sharp rise in credit cost; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	198
Hold	<15% and >-5%	70
Reduce	<-5%	36

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