

## Steady Quarter; Growth Momentum to Improve Gradually!

Est. Vs. Actual for Q1FY26: NII – **INLINE**; PPOP – **INLINE**; PAT – **INLINE**

Changes in Estimates post Q1FY26

FY26E/27E (%): NII: -1.7/-0.7; PPOP: -1.8/-0.5; PAT: -2.4/-0.9

### Recommendation Rationale

- Prudent Growth While Prioritising Asset Quality:** MAS has consciously pruned its growth amidst an uncertain and challenging credit environment, especially in the customer segment the company caters to. However, the log-in, disbursement, and sanction rates have remained broadly stable and not deteriorated. Thus, the management is confident of growth picking up in H2, enabling MAS to deliver a steady AUM growth of 20-25%. As the company aims to double its AUM over the next 3 years, focus will continue to remain on the core MSME product, with recovery expected across major industries. The salaried personal loans, a key growth driver (~85% CAGR growth over FY23-25, albeit on a low base), will be capped at 10%. The management remains optimistic about growth in the Wheels portfolio improving led by CVs and used cars. Similarly, the growth in the housing finance subsidiary continues to gather pace, and the management is confident of clocking AUM of Rs 1,000 Cr by FY26. **We expect MAS to deliver a healthy 22% CAGR AUM growth over FY25-28E, with further scope to accelerate growth contingent on a strong pick-up in the MSME segment.**
- NIMs to move with a positive bias:** MAS' margin profile is expected to benefit from the shift in the portfolio mix with an increase in the share of the wheels portfolio alongside a pass-through of the rate cut, reflecting on the CoF. The management highlighted that the direct distribution to earn higher yields vs NBFC partner sourcing further supports NIMs. While the reduction in borrowing cost is yet to reflect in the CoF, the company has seen a 5-10bps reduction in MCLR rate from banks and expects the same to reflect from Q2 onwards. Overall, the CoF is expected to decline by 25-35bps over FY26. The company will also look to further diversify its borrowing mix over the medium term, by improving the share of NCDs to 25% vs ~18-19% currently and inclusion of ECB loans forming ~10% of the borrowing mix, in its bid to exercise control over CoF. **Thus, the management has guided NIMs to be maintained between 7-8% on a steady state basis.**
- Asset Quality concerns to ease over H2FY26:** The borrower segment MAS caters to continues to face challenges, and demand uptick is expected to be visible over the coming couple of quarters. Despite this, the company has been able to maintain asset quality within its tolerance limit, though a marginal deterioration was visible in Q1. The asset quality metrics across most portfolios (MEL, SME, and 2-Wheeler) continue to remain healthy, while there has been a slight uptick in stress in the CV portfolio. Resultantly, MAS has curtailed growth in the CV segment. **The management expects asset quality concerns to gradually ease from Q4 onwards and remains confident of maintaining credit costs under control.**

### Sector Outlook: Positive

**Company Outlook:** As the macro environment turns favourable, supporting a demand uptick, MAS will look to accelerate growth as it continues to aim at doubling its AUM over the next 3 years. The ramp-up of the direct distribution channel will be a key growth enabler, facilitating strong growth at better yields, which would offset the impact of higher Opex. Asset quality has held up well despite unfavourable macros, especially in the customer segment the company caters to and is expected to improve over FY26. Thus, we expect MAS to deliver a healthy 22/23/22% CAGR AUM/NII/Earnings growth over FY25-28E. Thus, MAS is expected to deliver a RoA/RoE of 2.8-2.9%/14-16% over the medium term.

**Current Valuation: 2.2x FY27E BV Earlier Valuation: 1.8x FY27E BV**

**Current TP: Rs 400/share. Earlier TP: Rs 325/share**

**Recommendation:** We maintain our **BUY** recommendation on the stock.

### Financial Performance:

- Operational Performance:** MAS' disbursements growth improved and grew by 15/3% YoY/QoQ. The share of sourcing from NBFC partners inched up QoQ to 35.2% vs 35.8% QoQ. AUM growth stood at 20/3% YoY/QoQ. The MSME segment (~76% Mix vs 77% QoQ) grew by 15/3% YoY with Micro enterprise loans growth improving and growing at 11/4% YoY/QoQ and SME growth slightly slower at 20/1% YoY/QoQ. In the wheels portfolio (~15% Mix, flat QoQ), CVs grew by 18/-1% YoY/QoQ and 2-Wheelers grew by 30/11% YoY/QoQ. The salaried personal loans segment grew by 92/9% YoY/QoQ, albeit on a smaller base.
- Financial Performance:** NII grew by 31% YoY and flat QoQ, aided by healthy AUM growth, though NIMs (calc.) contracted QoQ by ~24 bps. NIMs (calc. on AUM basis) stood at 7.4% vs 7.6% QoQ. Non-interest income growth was strong at 46/18% YoY/QoQ. Opex continued to reflect investment trends as the company shifts towards a direct distribution model and grew by 46/11% YoY. C-I Ratio stood at 34.8% vs 32.9% QoQ. PPOP grew by 31/2% YoY/QoQ. Credit costs came in marginally lower than expected and stood at 193bps vs 200bps QoQ. Earnings grew by 19/4% YoY/QoQ.
- Asset Quality** deteriorated with GNPA/NNPA at 2.49/1.63% vs 2.44/.62% QoQ.

### Key Financials (Standalone)

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Interest Income	162.5	0.0	+31.4	165.8	-1.9
PPOP	154.9	+2.2	+30.9	154.1	+0.5
Net Profit	83.9	+3.7	+19.1	82.0	+2.4
NNPA (%)	1.6	+2 bps	+12 bps	1.6	0 bps
RoA (%)	2.8	-3 bps	+3 bps	2.8	+5 bps

Source: Company, Axis Securities Research

(CMP as of 24<sup>th</sup> July, 2025)

CMP (Rs)	333
Upside /Downside (%)	20%
High/Low (Rs)	350/222
Market cap (Cr)	6,035
Avg. daily vol. (6m) Shrs.	2,07,062
No. of shares (Cr)	18.1

### Shareholding (%)

	Dec-24	Mar-25	Jun-25
Promoter	66.6	66.6	66.6
FIIIs	3.0	3.1	3.1
MFs / UTI	12.8	12.9	12.6
Others	17.6	17.4	17.7

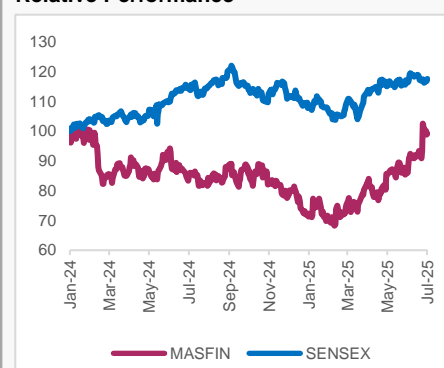
### Financial & Valuations

Y/E Mar (Rs Cr)	FY26E	FY27E	FY28E
NII	707	873	1,052
PPOP	650	798	973
Net Profit	368	451	549
EPS (Rs)	20.3	24.9	30.3
BV (Rs)	159.7	180.9	206.6
P/BV (x)	2.1	1.8	1.6
RoA (%)	2.8	2.8	2.8
NNPA (%)	1.5	1.5	1.4

### Change in Estimates (%)

Y/E Mar	FY26E	FY27E
NII	-1.7	-0.7
PPOP	-1.8	-0.5
PAT	-2.4	-0.9

### Relative Performance



Source: Ace Equity, Axis Securities Research

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## Key Takeaways

**Direct Distribution Scale-up Driving Opex Growth:** MAS has been looking to expand its branch network as it looks to scale up its direct distribution network. As on-ground challenges fade gradually, the company will resume its branch expansion exercise from H2FY26 onwards. The management expects the share of retail distribution to improve to 70-75% over the next 6-12 quarters vs ~65% currently. **The direct distribution provides MAS with greater agility to accelerate growth at better yields. However, it also results in higher Opex and marginally higher credit costs. Despite this, the management is confident of maintaining RoA of 2.8-3% on a steady state basis with expectations of higher yields offsetting the impact of Opex and credit costs.**

## Outlook

MAS remains well-positioned to deliver a strong AUM growth driven by a strong distribution network and adequate capitalisation. We factor in slower growth given a slight delay in recovery in demand within the customer segment, promoting a minor cut of 1-2% on our NII estimates. Scaling up of the direct distribution should keep Opex ratios higher. Receding asset quality concerns should result in credit costs gravitating to normalised levels of 1.5-1.6% over the medium term. We trim our earnings estimates by 1-3% factoring in higher Opex and marginally higher credit costs. We expect MAS to deliver a strong 22/23/22% CAGR growth in AUM/NII/Earnings over FY25-28E.

## Valuation & Recommendation

**We reiterate our BUY recommendation on the stock.** The stock currently trades at 1.8x FY27E BV, and we value the stock at 2.2x FY27E BV to arrive at a target price of Rs 400/share, implying an upside of 20% from the CMP.

## Key Risks to Our Estimates and TP

- The key risk to our estimates remains a slowdown in overall AUM growth momentum owing to economic shocks, which could potentially derail earnings momentum for the bank.
- Asset quality concerns in the salaried personal loan segment

## Change in Estimates

(Rs Cr)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
NII	707	873	1052	719	879	-	-1.7	-0.7	-
PBP	650	798	973	662	802	-	-1.8	-0.5	-
PAT	368	451	549	377	455	-	-2.4	-0.9	-

Source: Company, Axis Securities Research

**Results Review (Standalone)**

Result	Q1FY26	Q1FY25	% YoY	Q4FY25	% QoQ
Net Interest Income	163	124	31.4	163	0.0
Non-Interest Income	75	51	46.2	63	18.3
Operating expenses	83	57	45.8	74	11.3
Staff Cost	33	27	25.4	31	6.6
Pre-provision profits	155	118	30.9	152	2.2
Provisions and contingencies	42	24	77.2	43	-0.6
PBT	112	94	19.1	109	3.2
Provision for Tax	29	24	19.1	28	1.7
PAT	84	70	19.1	81	3.7
<b>Disbursements</b>	<b>3,192</b>	<b>2,775</b>	<b>15.0</b>	<b>3,087</b>	<b>3.4</b>
<b>AUM</b>	<b>12,505</b>	<b>10,384</b>	<b>20.4</b>	<b>12,100</b>	<b>3.3</b>
Micro-Enterprise Loans	5,009	4,523	10.7	4,793	4.5
SME	4,526	3,784	19.6	4,502	0.5
Two Wheelers	872	669	30.4	785	11.0
Commercial Vehicles	967	817	18.3	979	-1.3
Salaried Personal Loans	1,131	590	91.6	1,040	8.8
Cost-Income ratio (%)	34.8	32.4	241 bps	32.9	191 bps
Gross NPA (%)	2.49	2.29	20 bps	2.44	5 bps
Net NPA (%)	1.64	1.52	12 bps	1.62	2 bps
PCR (%)	34.1	33.6	51 bps	33.6	53 bps

Source: Company, Axis Securities Research

## Financials (Standalone)

### Profit & Loss

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
<b>Net Interest Income</b>	<b>567</b>	<b>707</b>	<b>873</b>	<b>1,052</b>
Other Income	231	272	322	381
<b>Total Income</b>	<b>798</b>	<b>979</b>	<b>1,195</b>	<b>1,433</b>
Total Operating Expense	262	328	397	460
<b>PPOP</b>	<b>537</b>	<b>650</b>	<b>798</b>	<b>973</b>
Provisions & Contingencies	126	157	192	236
<b>PBT</b>	<b>410</b>	<b>493</b>	<b>606</b>	<b>737</b>
Provision for Tax	105	126	154	188
<b>PAT</b>	<b>306</b>	<b>368</b>	<b>451</b>	<b>549</b>

Source: Company, Axis Securities Research

### Balance Sheet

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
<b>SOURCES OF FUNDS</b>				
Share Capital	181	181	181	181
Reserves	2,404	2,717	3,101	3,568
<b>Shareholder's Funds</b>	<b>2,586</b>	<b>2,898</b>	<b>3,282</b>	<b>3,749</b>
Borrowings	<b>8,702</b>	<b>10,923</b>	<b>13,707</b>	<b>17,105</b>
Other Liabilities & Provisions	377	506	622	763
<b>Total Liabilities</b>	<b>11,664</b>	<b>14,328</b>	<b>17,611</b>	<b>21,617</b>
<b>APPLICATION OF FUNDS</b>				
Cash & Bank Balance	1,109	1,362	1,674	2,055
Investments	1,594	2,001	2,459	3,019
Advances	8,614	10,537	12,952	15,897
Fixed Assets & Other Assets	348	428	527	646
<b>Total Assets</b>	<b>11,664</b>	<b>14,328</b>	<b>17,611</b>	<b>21,617</b>

Source: Company, Axis Securities Research

**Ratio Analysis**
**(%)**

Y/E March	FY25	FY26E	FY27E	FY28E
<b>VALUATION RATIOS</b>				
EPS	16.9	20.3	24.9	30.3
Earnings Growth (%)	11%	20%	23%	22%
BVPS	142.5	159.7	180.9	206.6
Adj. BVPS	134.6	150.3	169.4	193.2
ROAA (%)	2.9	2.8	2.8	2.8
ROAE (%)	14.1	13.4	14.6	15.6
P/E (x)	19.7	16.4	13.4	11.0
P/BV (x)	2.3	2.1	1.8	1.6
<b>PROFITABILITY</b>				
NIM (%)	7.8	7.8	7.8	7.8
Cost-Income Ratio	32.8	33.6	33.2	32.1
<b>BALANCE SHEET STRUCTURE RATIOS</b>				
Loan Growth (%)	18.6	22.3	22.9	22.7
Borrowings Growth (%)	22.9	25.5	25.5	24.8
Equity/Assets (%)	27.9	25.8	23.9	22.4
Equity/Loans (%)	20.6	19.0	17.6	16.5
CAR	24.7	23.6	22.0	20.1
CAR Tier I	22.6	21.6	20.1	18.4
<b>ASSET QUALITY</b>				
Gross NPLs (%)	2.3	2.3	2.2	2.2
Net NPLs (%)	1.6	1.5	1.5	1.4
Coverage Ratio (%)	49.9	49.6	49.3	50.5
Credit Costs	1.6	1.6	1.6	1.6
<b>ROAA TREE</b>				
Net Interest Income	5.5	5.4	5.5	5.5
Non-Interest Income	2.2	2.1	2.0	1.9
Operating Cost	2.5	2.5	2.5	2.4
Provisions	1.2	1.2	1.2	1.2
Tax	1.0	1.0	1.0	1.0
ROAA	2.9	2.8	2.8	2.8
Leverage (x)	4.8	4.7	5.1	5.5
ROAE	14.0	13.4	14.6	15.6

Source: Company, Axis Securities Research

## MAS Financial Services Price Chart and Recommendation History



Date	Reco	TP	Research
29-Jan-24	BUY	398	Result Update
26-Apr-24	BUY	380	Result Update
26-Jul-24	BUY	360	Result Update
25-Sep-24	BUY	355	Management Meet Update
25-Oct-24	BUY	355	Result Update
31-Jan-25	BUY	325	Result Update
05-May-25	BUY	325	Result Update
25-Jul-25	BUY	400	Result Update

Source: Axis Securities Research

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