

**Steady Quarter; Navigating Headwinds while Maintaining Portfolio Quality!**
**Est. Vs. Actual for Q3FY25: NII – BEAT; PPOP – BEAT; PAT – MISS**
**Changes in Estimates post Q3FY25**
**FY25E/FY26E/27E (%): NII: +5.1/+5.8/+5.3; PPOP: +4.2/+3.2/+2.6 PAT: +2.2/+0.7/-0.2**
**Recommendation Rationale**

- Asset quality takes precedence:** MAS has consistently maintained healthy asset quality metrics despite a weak credit cycle, adhering to its principle of extending credit where due. The uptick in asset quality metrics in Q3FY25 was primarily driven by stress in the MEL portfolio, where borrowers appear over-leveraged and vulnerable to an economic slowdown, leading to rising delinquencies in a challenging macro environment. The management has also indicated some overlap between MEL/MFI customers in the 2-wheeler segment and continues to monitor this portfolio closely. While stress is visible across segments, the company is tightening credit filters, strengthening underwriting norms, and implementing additional guardrails, particularly in the MEL and SME portfolios, where delinquencies remain elevated. MAS remains committed to prioritising asset quality over growth, with the management confirming that it will not hesitate to slow down expansion if required. The company expects stress to gradually stabilise over the next couple of quarters.
- Growing in a calibrated manner:** MAS intends to grow its AUM at a healthy pace of 20-25% on a sustainable basis, aiming to double its AUM to Rs 20,000 Cr by FY28. This growth will be driven by the further strengthening of its direct distribution and healthy expansion in the SME, Wheels, and SPL segments. The housing subsidiary plans to accelerate growth, delivering a consistent 25-30% AUM increase over the medium term and contributing meaningfully to overall growth. MAS aims to maintain the share of direct distribution at 70-75% on a steady-state basis. We expect MAS to deliver a healthy AUM growth of 23% CAGR over FY25-27E.
- NIMs to remain stable with a positive bias:** The company expects CoF to remain stable at current levels. The recent rating upgrade has provided a benefit, helping contain CoF. In the event of a rate cut, the benefit on CoF would be passed on with a lag, as a large portion of MAS' borrowings are MCLR-linked. Yields on the portfolio are expected to remain largely protected, as most loans are fixed rate and the company's borrowers are largely rate agnostic to minor yield changes. Going forward, pricing will be driven by the macro environment and competitive intensity. However, any significant benefit on CoF will be passed on to end customers. We expect margins (calc.) to range between 7-7.2% over FY25-27E.

**Sector Outlook: Positive**

**Company Outlook:** The ramp-up of the direct distribution network will support MAS' ambitious AUM growth plans. However, it will impact Opex ratios and credit costs. The management expects the C-A ratio to rise to 2.75-3% over the medium term due to investments in the distribution network and franchise. Similarly, credit costs are expected to increase and stabilise at 1.5% on a steady-state basis. However, the rise in Opex and credit costs will be adequately offset by better yields, allowing MAS to maintain RoA in the range of 2.75-3.25%. We expect MAS' RoA/RoE to range between 3-3.1%/14-16% over FY25-27E, supported by (1) steady and profitable growth, (2) stable NIMs with a positive bias, and (3) contained credit costs.

**Current Valuation: 1.9x Sep'26E BV Earlier Valuation: 2.1x Sep'26E BV**
**Current TP: Rs 325/share Earlier TP: Rs 355/share**
**Recommendation:** We maintain our **BUY** recommendation on the stock.

**Financial Performance:**

- Operational Performance:** MAS' disbursements growth was strong at 18/5% YoY/QoQ. The share of sourcing from NBFC partners further reduced QoQ to 34.6% vs 33.9% QoQ. AUM growth stood at 21/6% YoY/QoQ (largely in line with our expectations). The MSME segment (77% Mix) grew by 15/3% YoY, with Microenterprise loans growth softening and growing at 8/-1% YoY/QoQ and SME up 24/8% YoY/QoQ. In the wheels portfolio, CVs were up 47/8% YoY/QoQ, and 2-wheelers grew by 21/14% YoY/QoQ. The salaried personal loans segment grew by 69/35% YoY/QoQ.
- Financial Performance:** NII grew by 40/12% YoY/QoQ aided by healthy AUM growth and margin (calc.) improvement of ~37 bps QoQ. NIMs (calc. on an AUM basis) stood at 7.3% vs 6.9% QoQ. Non-interest income grew by 3% YoY and was down 4% QoQ. Opex continued to reflect investment trends as the company shifts towards direct distribution model and grew by 30/7% YoY. C-I Ratio stood at 32.7% vs 33% QoQ. PPOP grew by 25/8% YoY/QoQ. Credit costs were higher than expected and stood at 162bps vs 137bps QoQ, hurting earnings. Earnings grew by 25/1% YoY/QoQ.

**Asset Quality** deteriorated with GNPA/NNPA at 2.41/1.62% vs 2.36/1.57% QoQ.

**Key Financials (Standalone)**

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Interest Income	148.7	+12.3	+39.5	136.3	+9.1
PPOP	138.3	+4.2	+21.4	134.2	+3.0
Net Profit	78.1	-5.2	+17.9	79.5	-1.7
NNPA (%)	1.6	+5 bps	+14 bps	1.6	+2 bps
RoA (%)	2.7	-29 bps	+1 bp	2.9	-3 bps

Source: Company, Axis Securities Research

 (CMP as of 30<sup>th</sup> January, 2025)

CMP (Rs)	256
Upside /Downside (%)	27%
High/Low (Rs)	388/230
Market cap (Cr)	4,639
Avg. daily vol. (6m) Shrs.	2,46,073
No. of shares (Cr)	18.1

**Shareholding (%)**

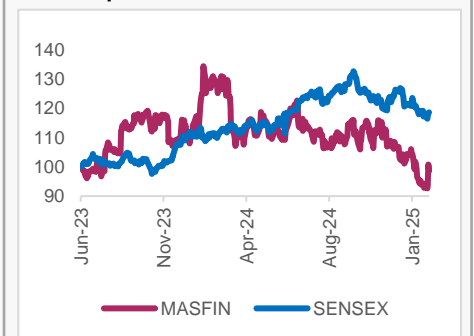
	Jun-24	Sep-24	Dec-24
Promoter	66.6	66.6	66.6
FIIs	3.6	2.7	3.0
MFs / UTI	12.7	13.0	12.8
Others	17.1	17.7	17.6

**Financial & Valuations**

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
NII	563	726	897
PPOP	537	671	820
Net Profit	311	390	474
EPS (Rs)	17.1	21.5	26.1
BV (Rs)	140.5	158.7	180.9
P/BV (x)	1.8	1.6	1.4
RoA (%)	3.0	3.1	3.0
NNPA (%)	1.5	1.5	1.4

**Change in Estimates (%)**

Y/E Mar	FY25E	FY26E	FY27E
NII	+5.1	+5.8	+5.3
PPOP	+4.2	+3.2	+2.6
PAT	+2.2	+0.7	-0.2

**Relative performance**


Source: Ace Equity, Axis Securities Research

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## Outlook

MAS remains well-positioned to deliver strong AUM growth driven by a strong distribution network and adequate capitalisation. Backed by expectations of strong NIMs, we revise our NII estimates upwards by ~5-6% over FY25-27E while maintaining our AUM growth estimates. However, ramping the direct distribution, which results in higher Opex and credit costs, will likely offset the benefit from better NIMs. We broadly retain our earnings estimates over FY25-27E. We pen down healthy AUM/NII/Earnings growth of 23/26/24% CAGR over FY25-27E.

## Valuation & Recommendation

**We reiterate our BUY recommendation on the stock.** The stock currently trades at 1.5x Sep'26E BV, and we value the stock at 1.9x Sep'26E BV to arrive at a target price of Rs 325/share, implying an upside of 27% 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, potentially derailing earnings momentum for the bank.

## Change in Estimates

	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
NII	563	726	897	536	687	853	5.1	5.8	5.3
PBP	537	671	820	515	650	800	4.2	3.2	2.6
Provisions	121	150	186	109	133	164	11.7	12.8	13.3
PAT	311	390	474	304	387	475	2.2	0.7	-0.2

Source: Company, Axis Securities

## Results Review

Result	Q3FY25	Q3FY24	% YoY	Q2FY25	% QoQ	9MFY25	9MFY24	% YoY
Net Interest Income	149	107	39.5	132	12.3	405	303	33.6
Non-Interest Income	57	55	2.5	59	-3.8	167	148	12.7
Operating expenses	72	52	38.5	63	13.6	192	143	34.1
Staff Cost	33	22	47.6	28	18.1	88	61	44.1
Pre provision profits	134	110	21.4	128	4.2	381	308	23.4
Provisions and contingencies	33	26	29.0	26	26.0	83	68	22.5
PBT	101	85	19.1	102	-1.4	297	240	23.6
Provision for Tax	27	22	22.3	24	10.7	75	60	25.7
PAT	74	62	17.9	78	-5.2	222	180	22.9
<b>Disbursements</b>	<b>3,228</b>	<b>2,724</b>	<b>18.5</b>	<b>3,083</b>	<b>4.7</b>	<b>9,085</b>	<b>7,617</b>	<b>19.3</b>
<b>AUM</b>	<b>11,677</b>	<b>9,672</b>	<b>20.7</b>	<b>11,017</b>	<b>6.0</b>	<b>11,677</b>	<b>9,672</b>	<b>20.7</b>
Micro-Enterprise Loans	4,705	4,345	8.3	4,746	-0.9	4,705	4,345	8.3
SME	4,273	3,450	23.8	3,974	7.5	4,273	3,450	23.8
Two Wheelers	809	671	20.6	712	13.6	809	671	20.6
Commercial Vehicles	969	662	46.5	900	7.7	969	662	46.5
Salaried personal Loans	922	544	69.3	685	34.6	922	544	69.3
Cost-Income ratio (%)	34.9	32.0	294 bps	33.0	194 bps	33.4	31.6	179 bps
Gross NPA (%)	2.41	2.23	18 bps	2.36	5 bps	2.41	2.23	18 bps
Net NPA (%)	1.62	1.48	14 bps	1.57	5 bps	1.62	1.48	14 bps
PCR (%)	32.8	33.6	-85 bps	33.5	-69 bps	32.78	33.63	-85 bps

Source: Company, Axis Securities Research

## Financials (Standalone)

### Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
<b>Net Interest Income</b>	<b>408</b>	<b>563</b>	<b>726</b>	<b>897</b>
Other Income	202	234	277	327
<b>Total Income</b>	<b>610</b>	<b>797</b>	<b>1,003</b>	<b>1,224</b>
Total Operating Exp	189	260	332	404
<b>PPOP</b>	<b>421</b>	<b>537</b>	<b>671</b>	<b>820</b>
Provisions & Contingencies	89	121	150	186
<b>PBT</b>	<b>332</b>	<b>415</b>	<b>521</b>	<b>634</b>
Provision for Tax	84	105	131	160
<b>PAT</b>	<b>248</b>	<b>311</b>	<b>390</b>	<b>474</b>

Source: Company, Axis Securities Research

### Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
<b>SOURCES OF FUNDS</b>				
Share Capital	164	181	181	181
Reserves	1,605	2,367	2,698	3,102
<b>Shareholder's Funds</b>	<b>1,769</b>	<b>2,549</b>	<b>2,880</b>	<b>3,283</b>
Borrowings	<b>7,081</b>	<b>8,433</b>	<b>10,899</b>	<b>13,672</b>
Other Liabilities & Provisions	259	321	403	496
<b>Total Liabilities</b>	<b>9,109</b>	<b>11,303</b>	<b>14,183</b>	<b>17,451</b>
<b>APPLICATION OF FUNDS</b>				
Cash & Bank Balance	842	1,079	1,354	1,665
Investments	788	1,079	1,425	1,666
Advances	7,265	8,882	11,078	13,723
Fixed Assets & Other Assets	214	263	325	396
<b>Total Assets</b>	<b>9,109</b>	<b>11,303</b>	<b>14,183</b>	<b>17,451</b>

Source: Company, Axis Securities Research

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

Y/E March	FY24	FY25E	FY26E	FY27E
<b>VALUATION RATIOS</b>				
EPS	15.1	17.1	21.5	26.1
Earnings Growth (%)	-57%	13%	25%	22%
BVPS	107.9	140.5	158.7	180.9
Adj. BVPS	100.8	132.6	149.2	169.5
ROAA (%)	3.0	3.0	3.1	3.0
ROAE (%)	15.2	14.4	14.4	15.4
P/E (x)	16.9	15.0	11.9	9.8
P/BV (x)	2.4	1.8	1.6	1.4
<b>PROFITABILITY</b>				
NIM (%)	6.2	7.0	7.2	7.2
Cost-Income Ratio	31.0	32.6	33.1	33.0
<b>BALANCE SHEET STRUCTURE RATIOS</b>				
Loan Growth (%)	22.9	22.3	24.7	23.9
Borrowings Growth (%)	19.9	19.1	29.2	25.4
Equity/Assets (%)	22.1	26.7	24.4	22.6
Equity/Loans (%)	17.6	20.9	19.0	17.8
CAR	23.1	24.2	24.5	22.4
CAR Tier I	20.1	21.4	21.8	19.9
<b>ASSET QUALITY</b>				
Gross NPLs (%)	2.3	2.3	2.3	2.2
Net NPLs (%)	1.5	1.5	1.5	1.4
Coverage Ratio (%)	49.8	50.0	50.1	50.1
Credit Costs	1.4	1.5	1.5	1.5
<b>ROAA TREE</b>				
Net Interest Income	4.9	5.5	5.7	5.7
Non-Interest Income	2.4	2.3	2.2	2.1
Operating Cost	2.3	2.5	2.6	2.6
Provisions	1.1	1.2	1.2	1.2
Tax	1.0	1.0	1.0	1.0
ROAA	3.0	3.0	3.1	3.0
Leverage (x)	5.1	4.7	4.7	5.1
ROAE	15.2	14.4	14.4	15.4

Source: Company, Axis Securities Research

## MAS Financial Services Price Chart and Recommendation History



Date	Reco	TP	Research
03-Feb-23	BUY	350	Result Update
13-Apr-23	BUY	317	Management Meet Update
12-May-23	BUY	318	Result Update
04-Aug-23	BUY	312	Result Update
03-Nov-23	BUY	358	Result Update
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

Source: Axis Securities Research

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