



Healthy Quarter; Pushing the Growth Pedal!

Est. Vs. Actual for Q4FY24: NII – **INLINE**; PPOP – **MISS**; PAT – **BEAT**
 Changes in Estimates post Q4FY24

FY25E/FY26E: NII: -3.7%/-2.2%; PPOP: -3.8%/-3.8%; PAT: -2.5%/-2.6%

Recommendation Rationale

- **Strengthening direct distribution** – Eyeing faster growth, MAS will continue to expand its direct distribution network by adding 20-30 branches in the next 6-9 months. The management expects the share of direct distribution to improve to 70-75% over the medium term vs ~67% currently. The company will also look to further strengthen its geographical presence to reduce its dependence on the Top 4 states. While the core geographies in the West have immense growth potential, having pre-empted the growth potential in the targeted geographies, MAS plans to foray into Delhi NCR, Tamil Nadu, Karnataka and Telangana to kickstart its next leg of growth. Over the medium term, MAS expects the newer geographies to contribute meaningfully in its endeavour to double AUM over the medium term.
- **Eyeing 2x AUM in the next 3 years** – MAS' management has re-iterated its aspiration of doubling the AUM over the next 3-4 years (a loan growth CAGR of 20-25%), supported by demand-led growth and a scaled-up distribution network. However, as the company pushes for the next leg of growth, it will look to diversify its AUM mix. While the core MSME and Wheels products will continue to drive growth, MAS will look to foray into Used Cars (currently in the pilot phase) and Supply Chain Financing (as a sub-set of MSME loans for New and Existing customers). In terms of the salaried personal loans, MAS will cap its mix at 10% of overall AUM. Additionally, MAS expects to scale up the housing finance portfolio meaningfully, thereby increasing its contribution to the consolidated AUM. We expect MAS to deliver a healthy ~24% CAGR AUM growth over FY24-26E.
- **Recent rating upgrade to aid CoF** – Recently, MAS's credit rating was upgraded to AA- (Stable) from A+ (Positive) by CARE. This rating upgrade will aid CoF improvement by 15-25bps over the next 6-9 months. Given that a larger chunk of the company's borrowings are MCLR, the company will negotiate rates with its lenders considering the upgrade. This will also enable MAS to tap borrowings in the capital market.

Sector Outlook: Positive

Company Outlook: The ramping-up of the direct distribution network will support MAS' ambitious growth plans. While the ramp-up in distribution would entail higher Opex, MAS will be able to maintain its RoAs at least in the near term on account of better yields and largely steady credit costs backed by stable asset quality. Thus, we expect MAS to deliver healthy RoA/RoE of 3-3.1%/16-18% over FY25-26E.

Current Valuation: 2.9x FY25E BV Earlier Valuation: 3.0x Sep'25E BV

Current TP: Rs 380/share Earlier TP: Rs 398/share

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

Financial Performance:

- **MAS' disbursements** grew by 15/5% Yoy. The share of sourcing from NBFC partners further fell down to 32.9% vs 37.6/34.2% YoY/QoQ. AUM grew by 25/5% YoY/QoQ (slightly slower than our expectation of 27/6% YoY/QoQ). The MSME segment grew by 18/4% YoY with Microenterprise loans up 13/1% YoY/QoQ and SMEs up 25/8% YoY/QoQ. In the wheels portfolio, CVs were up 101/13% YoY/QoQ and 2-Wheelers grew by 21/flat% YoY/QoQ. The salaried personal loans segment grew by 93/8% YoY/QoQ.
- **NII** grew by 28/7% YoY/QoQ aided by healthy AUM growth and steady margins. NIMs on on-book AUM(calc.) stood at 6.4%, flat QoQ. Non-interest income grew by 43% YoY and de-grew by 3% QoQ. Opex continued to reflect investment trends as the company shifts towards direct distribution model. C-I Ratio stood at 33% vs 32% QoQ. PPOP grew by 27/2% YoY/QoQ. Credit costs came in lower than expected de-growing at ~17% QoQ, thereby aiding earnings growth of 23/9% YoY/QoQ. MAS continues to remain **well capitalised** with CRAR/Tier I at 24.1/20.3%.
- **Asset Quality** remained stable with GNPA/NNPA at 2.25/1.51% vs 2.23/1.48% QoQ.

Outlook:

The management's confidence of doubling the book over the medium term and its readiness in terms of operational capabilities and infrastructure is encouraging. MAS remains well positioned to deliver a strong AUM growth driven by a strong distribution network, adequate capitalisation and However, factoring in growth ranging between the guided range and largely steady NIMs, we trim our NII estimates by 2-3% alongside assumptions of higher Opex in the near term resulting in trimming of our earnings estimates by ~2-3% over FY25-26E.

Valuation & Recommendation

We reiterate our BUY recommendation on the stock. The stock currently trades at 2.3x Sep'25E BV and we value the stock at 2.8x Sep'25E BV to arrive at a target price of Rs 380/share, implying an upside of 23% from the CMP.

Key Financials (Standalone)

(Rs Cr)	Q4FY24	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Interest Income	114.2	+7.2	+28.3	113.4	+0.7
PPOP	112.5	+2.1	+26.9	116.1	-3.1
Net Profit	68.1	+9.0	+22.5	65.4	+4.1
NNPA (%)	1.5	+3 bps	-1 bps	1.5	+3 bps
RoA (%)	2.8	+8 bps	-13 bps	2.7	+8 bps

Source: Company, Axis Research

(CMP as of 25 Apr, 2024)

CMP (Rs)	308
Upside /Downside (%)	23%
High/Low (Rs)	387/229
Market cap (Cr)	5,050
Avg. daily vol. (6m) Shrs.	1,76,931
No. of shares (Cr)	16.4

Shareholding (%)

	Sep-23	Dec-23	Mar-24
Promoter	73.7	73.7	73.7
FII's	2.0	2.0	1.8
MFs / UTI	8.2	8.2	6.7
Others	16.1	16.1	17.8

Financial & Valuations

Y/E Mar (Rs Cr)	FY24P	FY25E	FY26E
NII	408	530	658
PPOP	421	533	657
Net Profit	248	313	385
EPS (Rs)	15.1	19.1	23.5
BV (Rs)	107.9	125.1	145.0
P/BV (x)	2.9	2.5	2.1
RoA (%)	3.0	3.1	3.1
NNPA (%)	1.5	1.4	1.4

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
NII	-3.7	-2.2
PPOP	-3.8	-3.8
PAT	-2.5	-2.6

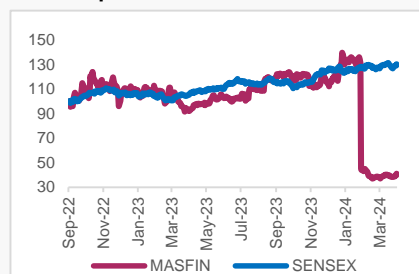
ESG disclosure Score**

Environmental Disclosure	N.A
Social Disclosure Score	N.A
Governance Disclosure Score	N.A
Total ESG Disclosure Score	N.A
Sector Average	37.3

Source: Bloomberg, Scale: 0,1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

Relative performance



Source: AceEquity, Axis Securities (**impact of bonus issue)

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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.

Change in Estimates

	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
NII	530	658	550	672	-3.7	-2.2
PBP	533	657	554	683	-3.8	-3.8
Provisions	114	142	125	155	-8.4	-8.3
PAT	313	385	322	395	-2.5	-2.6

Source: Company, Axis Securities

Results Review

(Rs Cr)	Q4FY24	Q4FY23	% YoY	Q3FY24	% QoQ	FY24	FY23	% YoY
Net Interest Income	114	89	28.3	107	7.2	417	338	23.5
Non-Interest Income	54	38	42.7	55	-3.0	202	137	47.1
Operating expenses	56	38	45.7	52	7.2	198	157	26.7
Staff Cost	26	17	49.9	22	15.9	87	62	40.2
Pre provision profits	113	89	26.9	110	2.1	421	319	32.1
Provisions and contingencies	21	18	17.4	26	-16.7	90	53	69.0
PBT	91	70	29.4	85	7.8	331	266	24.7
Provision for Tax	23	15	55.0	22	4.4	83	64	29.7
PAT	68	56	22.5	62	9.0	248	202	23.2
Disbursements	2,866	2,492	15.0	2,724	5.2	10,483	9,129	14.8
AUM	10,126	8,093	25.1	9,672	4.7	10,126	8,093	25.1
Micro-Enterprise Loans	4,385	3,874	13.2	4,345	0.9	4,385	3,874	13.2
SME	3,734	2,987	25.0	3,450	8.2	3,734	2,987	25.0
Two Wheelers	670	554	20.9	671	-0.1	670	554	20.9
Commercial Vehicles	748	372	100.7	662	13.0	748	372	100.7
Salaried personal Loans	589	305	93.1	544	8.2	589	305	93.1
Cost-Income ratio (%)	33.0	30.1	297 bps	32.0	107 bps	32.0	33.0	-100 bps
Gross NPA (%)	2.25	2.15	10 bps	2.23	2 bps	2.25	2.15	10 bps
Net NPA (%)	1.51	1.52	-1 bps	1.48	3 bps	1.51	1.52	-1 bps
PCR (%)	32.9	29.3	359 bps	33.6	-74 bps	32.9	29.3	359 bps

Source: Company, Axis Securities

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
Net Interest Income	332	408	530	658
Other Income	143	202	240	289
Total Income	474	610	769	946
Total Operating Exp	157	189	236	289
PPOP	318	421	533	657
Provisions & Contingencies	53	89	114	142
PBT	265	332	419	515
Provision for Tax	64	84	106	130
PAT	201	248	313	385

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS				
Share Capital	55	164	164	164
Reserves	1,451	1,605	1,887	2,215
Shareholder's Funds	1,506	1,769	2,051	2,379
Borrowings	5,908	7,081	8,814	11,019
Other Liabilities & Provisions	263	259	318	392
Total Liabilities	7,677	9,109	11,184	13,790
APPLICATION OF FUNDS				
Cash & Bank Balance	772	842	956	1,110
Investments	826	788	956	1,144
Advances	5,910	7,265	9,012	11,219
Fixed Assets & Other Assets	169	214	260	317
Total Assets	7,677	9,109	11,184	13,790

Source: Company, Axis Securities

Ratio Analysis
(%)

Y/E March	FY23	FY24E	FY25E	FY26E
VALUATION RATIOS				
EPS	36.8	15.1	19.1	23.5
Earnings Growth (%)	28%	-59%	26%	23%
BVPS	275.5	107.9	125.1	145.0
Adj. BVPS	253.0	100.4	116.3	134.1
ROAA (%)	2.9	3.0	3.1	3.1
ROAE (%)	14.1	15.2	16.4	17.4
P/E (x)	8.4	20.3	16.1	13.1
P/BV (x)	1.1	2.9	2.5	2.1
PROFITABILITY				
NIM (%)	6.3	6.3	6.5	6.5
Cost-Income Ratio	33.0	31.0	30.7	30.6
BALANCE SHEET STRUCTURE RATIOS				
Loan Growth (%)	29.8	22.9	24.0	24.5
Borrowings Growth (%)	29.8	19.9	24.5	25.0
Equity/Assets (%)	18.9	17.6	16.9	16.1
Equity/Loans (%)	24.6	22.1	20.9	19.7
CAR	25.7	23.1	21.6	20.2
CAR Tier I	22.6	20.1	18.8	17.5
ASSET QUALITY				
Gross NPLs (%)	2.2	2.3	2.3	2.2
Net NPLs (%)	1.5	1.5	1.5	1.5
Coverage Ratio (%)	29.3	46.0	46.0	46.0
Credit Costs	1.0	1.4	1.4	1.4
ROAA TREE				
Net Interest Income	4.8	4.9	5.1	5.1
Non-Interest Income	2.1	2.4	2.4	2.4
Operating Cost	2.3	2.3	2.3	2.3
Provisions	0.8	1.1	1.1	1.1
Tax	0.9	1.0	1.0	1.0
ROAA	2.9	3.0	3.1	3.1
Leverage (x)	4.9	5.1	5.3	5.6
ROAE	14.1	15.2	16.4	17.4

Source: Company, Axis Securities

MAS Financial Services Price Chart and Recommendation History



Date	Reco	TP**	Research
04-Feb-22	BUY	255	Result Update
06-May-22	BUY	267	Result Update
05-Aug-22	BUY	258	Result Update
08-Sep-22	BUY	280	Management Meet Update
04-Nov-22	BUY	350	Result Update
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

Source: Axis Securities **considering impact of bonus issue

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Sector: BFSI

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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
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UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward looking estimates, valuation or recommendation for the stock

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