

Green Shoots Visible on Growth and Asset Quality!

Est. Vs. Actual for Q2FY26: NII – **MISS**; PPOP – **MISS**; PAT – **BEAT**

Changes in Estimates post Q2FY26

FY26E/27E/FY28E (%): NII: -2.3/-0.1/+1.6; PPOP: -0.4/+1.7/+2.3; PAT: -1.6/+2.0/+2.6

Recommendation Rationale

- Prudent Growth While Prioritizing 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 management believes the worst is behind and expects AUM growth to pick up meaningfully over H2.** MAS has guided for AUM to improve to 5-7% QoQ in Q3 vs 4% in Q2, and a gradual improvement in Q4, as it believes that the on-ground demand from eligible borrowers continues to improve over Sep-Oct'25. MAS has seen rejection ratios declining across products. Within the SME segment, a key growth driver for the company, the management expects the growth in the MEL segment to lag overall growth. Focus will remain on the higher ticket size SME segment. Over the medium term, the share of the SME segment is expected to settle at 65-70% vs 75% currently. **MAS remains committed to growing its AUM at a consistent pace of 20-25% CAGR over the foreseeable future, and our estimates align with the management's guidance as we pencil-in ~23% CAGR growth over FY26-28E.**
- Asset Quality Steady; Gradual Improvement Hereon:** MAS's asset quality outcome has been largely range-bound despite the unfavourable macros, especially in the segment the company operates in, and believes that the worst in terms of asset quality is behind. **The company intends to maintain GNPA/NNPA in a tight range of 2.5-2.75%/1.5-2% on a steady state basis.** The company does not expect the impact of the US tariff on its SME segment customers. MAS has been cautious in its lending approach in the textile and FMCG segments and restricted incremental funding to these sectors. Additionally, it is not seeing any concerning signs of further stress build-up in these segments and will re-look at liberalising credit flow to these segments post Dec'25. **The company has seen rejection rates decline across segments.**
- RoA to be maintained between 2.85-3% on a normalised basis:** MAS has been looking to expand its branch network as it looks to scale up its direct distribution network and expects the retail distribution to contribute to ~75% of the sourcing over the next 2-3 years. Moreover, the management expects to leverage the existing distribution network and work towards improving efficiency to keep Opex ratios range-bound. The management has guided for the C-A Ratio/C-I Ratio to settle between 2-3%/35-38% over the medium term. Furthermore, the management expects to realise the benefit of borrowing repricing over the next couple of quarters, driving margins higher. **Thus, with greater agility to accelerate growth at better yields offsetting higher Opex and marginally higher credit costs, the management is confident of maintaining RoA of 2.8-3% on a normalized basis.**

Sector Outlook: Positive

Company Outlook: As the macro environment turns favourable and rejection rates decline, MAS will look to accelerate growth over H2. 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. A meaningful repricing of borrowings should drive NIMs higher. Asset quality has held up well despite unfavourable macros, especially in the customer segment the company caters to, and is expected to improve over H2. Thus, we expect MAS to deliver a healthy 23/24/25% CAGR AUM/NII/Earnings growth over FY26-28E, while maintaining RoA/RoE of 2.8-2.9%/14-16% over the medium term.

Current Valuation: 2.1x FY27E BV Earlier Valuation: 2.2x FY27E BV

Current TP: Rs 380/share. Earlier TP: Rs 400/share

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

Financial Performance:

- Operational Performance:** MAS's disbursements growth was slow at 6/2% YoY/QoQ. The share of sourcing from NBFC partners stood at 34.4% vs 35.2% QoQ. AUM growth stood at 18/4% YoY/QoQ. The MSME segment (~76% Mix) grew by 13/3% YoY with MEL growing at 10/4% YoY/QoQ and SME growth slightly slower at 17/2% YoY/QoQ. In the wheels portfolio, CVs grew by 18/10% YoY/QoQ, and 2-Wheelers grew by 30/6% YoY/QoQ. The salaried personal loans segment growth slowed down and grew by 71/4% YoY/QoQ and constitutes 9% of the portfolio.
- Financial Performance:** NII grew by 24/1% YoY/QoQ, aided by steady AUM growth, though NIMs (calc.) contracted QoQ by ~18 bps. NIMs (calc.) stood at 7.2% vs 7.4% QoQ. Non-interest income growth was strong at 40/10% YoY/QoQ. Opex continued to reflect investment trends as the company shifted towards a direct distribution model and grew by 42/8% YoY. C-I Ratio stood at 36.3% vs 34.8% QoQ. PPOP grew by 23/2% YoY/QoQ. Credit costs came in lower than expected and stood at 163bps vs 193bps QoQ. Earnings grew by 17/7% YoY/QoQ.
- Asset Quality** deteriorated slightly with GNPA/NNPA at 2.53/1.69% vs 2.49/1.63% QoQ.

Key Financials (Standalone)

(Rs Cr)	Q2FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Interest Income	164	+1.2	+23.9	169	-2.6
PPOP	157	+1.6	+22.6	161	-2.1
Net Profit	90	+6.9	+17.1	86	+4.2
NNPA (%)	1.7	+5 bps	+12 bps	1.6	+7 bps
RoA (%)	2.9	+8 bps	-8 bps	2.9	+7 bps

Source: Company, Axis Securities Research

(CMP as of 06th November, 2025)

CMP (Rs)	304
Upside /Downside (%)	25%
High/Low (Rs)	350/222
Market cap (Cr)	5,718
Avg. daily vol. (6m) Shrs.	1,77,470
No. of shares (Cr)	18.1

Shareholding (%)

	Mar-25	Jun-25	Sep-25
Promoter	66.6	66.6	66.6
FII's	3.1	3.1	3.2
MFs / UTI	12.9	12.6	13.8
Others	17.4	17.7	16.4

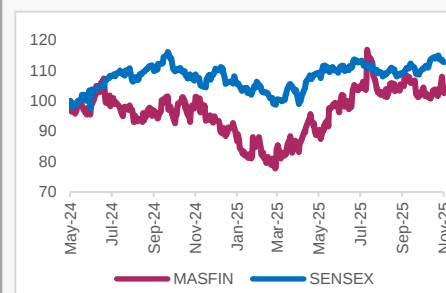
Financial & Valuations

Y/E Mar (Rs Cr)	FY26E	FY27E	FY28E
NII	690	872	1,069
PPOP	648	812	995
Net Profit	362	460	564
EPS (Rs)	19.9	25.4	31.1
BV (Rs)	149.9	169.5	193.9
P/BV (x)	1.9	1.7	1.5
RoA (%)	2.8	2.9	2.9
NNPA (%)	1.5	1.5	1.4

Change in Estimates (%)

Y/E Mar	FY26E	FY27E	FY28E
NII	-2.3	-0.1	+1.6
PPOP	-0.4	+1.7	+2.3
PAT	-1.6	+2.0	+2.6

Relative Performance



Source: Ace Equity, Axis Securities Research

Results Gallery

[Q1FY26](#)

[Q4FY25](#)

[Q3FY25](#)

[Q2FY25](#)

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Key Highlights

Housing Finance Subsidiary Growth to Remain Strong: The management expects the housing finance subsidiary to be value accretive for the parent. The company is **expected to scale up its AUM to Rs 4,000-5,000 Cr over the next 3-4 years, as the company expects to maintain a robust 30-35% CAGR growth over the medium term.**

Outlook

MAS remains well-positioned to deliver a strong AUM growth driven by a strong distribution network and adequate capitalisation. We factor in improved growth and better margins, driving better NII of 1-2% over FY27-28E, though we cut our FY26 NII estimates, factoring in slower growth and pressure on NIMs (calc.) in H1. Scaling up of the direct distribution should keep Opex ratios higher. Receding asset quality concerns should result in credit costs gravitating to normalized levels of 1.5-1.6% over the medium term. We trim our earnings estimates by ~2% factoring in higher Opex and marginally higher credit costs. However, considering improving efficiency and normalized credit costs, we raise our Eps estimates by 2-3% over FY27-28E. We expect MAS to deliver a strong 23/24/25% CAGR growth in AUM/NII/Earnings over FY26-28E.

Valuation & Recommendation

We reiterate our BUY recommendation on the stock. The stock currently trades at 1.7x FY27E BV, and we value the stock at 2.1x FY27E BV to arrive at a target price of Rs 380/share, implying an upside of 25% 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	690	872	1069	707	873	1052	-2.3	-0.1	1.6
PBP	648	812	995	650	798	973	-0.4	1.7	2.3
Provisions	163	194	239	157	192	236	3.7	0.8	1.3
PAT	362	460	564	368	451	549	-1.6	2.0	2.6

Source: Company, Axis Securities Research

Results Review (Standalone)

Rs Cr	Q2FY26	Q2FY25	% YoY	Q1FY26	% QoQ	H1FY26	H1FY25	% YoY
Net Interest Income	164	133	23.9	163	1.2	327	256	27.5
Non-Interest Income	83	59	40.4	75	10.0	158	110	43.1
Operating expenses	90	63	42.0	83	8.4	172	120	43.8
Staff Cost	34	28	21.7	33	2.2	68	55	23.5
Pre-provision profits	157	128	22.6	155	1.6	312	247	26.5
Provisions and contingencies	37	26	41.1	42	-12.5	80	50	58.3
PBT	120	102	17.8	112	6.9	233	196	18.4
Provision for Tax	31	26	19.7	29	7.0	59	49	19.4
PAT	90	77	17.1	84	6.9	174	147	18.1
Disbursements	3,259	3,083	5.7	3,192	2.1	6,451	5,857	10.1
AUM	12,999	11,017	18.0	12,505	4.0	12,999	11,017	18.0
Micro-Enterprise Loans	5,210	4,746	9.8	5,009	4.0	5,210	4,746	9.8
SME	4,633	3,974	16.6	4,526	2.4	4,633	3,974	16.6
Two Wheelers	924	712	29.8	872	6.0	924	712	29.8
Commercial Vehicles	1,059	900	17.6	967	9.5	1,059	900	17.6
Salaried Personal Loans	1,174	685	71.3	1,131	3.7	1,174	685	71.3
Cost-Income ratio (%)	36.3	33.0	333 bps	34.8	148 bps	35.6	32.7	287 bps
Gross NPA (%)	2.53	2.36	17 bps	2.49	4 bps	2.53	2.36	17 bps
Net NPA (%)	1.69	1.57	12 bps	1.64	5 bps	1.69	1.57	12 bps
PCR (%)	33.2	33.5	-27 bps	34.1	-93 bps	33.20	33.47	-27 bps

Source: Company, Axis Securities Research

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
Net Interest Income	567	690	872	1,069
Other Income	231	320	378	449
Total Income	798	1,010	1,250	1,518
Total Operating Expense	262	362	439	523
PPOP	537	648	812	995
Provisions & Contingencies	126	163	194	239
PBT	410	485	618	756
Provision for Tax	105	124	157	193
PAT	306	362	460	564

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS				
Share Capital	181	181	181	181
Reserves	2,404	2,712	3,103	3,582
Shareholder's Funds	2,586	2,893	3,285	3,764
Borrowings	8,702	10,928	13,773	17,267
Other Liabilities & Provisions	377	506	624	770
Total Liabilities	11,664	14,328	17,682	21,801
APPLICATION OF FUNDS				
Cash & Bank Balance	1,109	1,362	1,681	2,072
Investments	1,594	2,001	2,469	3,044
Advances	8,614	10,537	13,003	16,032
Fixed Assets & Other Assets	348	428	529	652
Total Assets	11,664	14,328	17,682	21,801

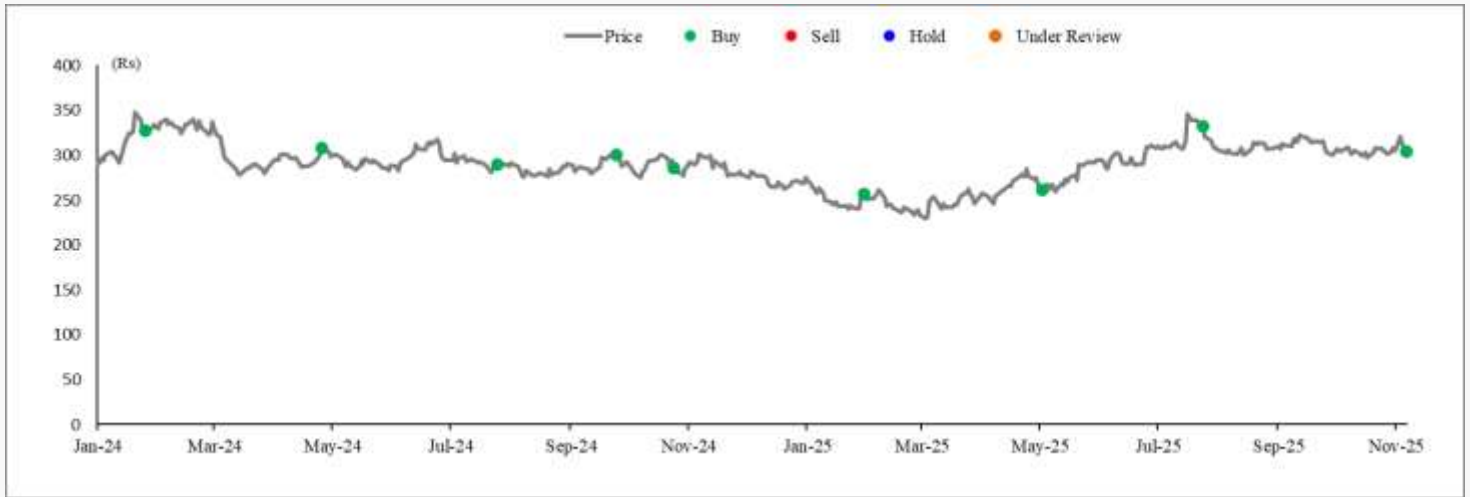
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E March	FY25	FY26E	FY27E	FY28E
VALUATION RATIOS				
EPS	16.9	19.9	25.4	31.1
Earnings Growth (%)	11%	18%	27%	22%
BVPS	142.5	159.5	181.0	207.4
Adj. BVPS	134.5	149.9	169.5	193.9
ROAA (%)	2.9	2.8	2.9	2.9
ROAE (%)	14.1	13.2	14.9	16.0
P/E (x)	18.1	15.3	12.0	9.8
P/BV (x)	2.1	1.9	1.7	1.5
PROFITABILITY				
NIM (%)	5.6	5.5	5.6	5.6
Cost-Income Ratio	32.8	35.9	35.1	34.4
BALANCE SHEET STRUCTURE RATIOS				
Loan Growth (%)	18.6	22.3	23.4	23.3
Borrowings Growth (%)	22.9	25.6	26.0	25.4
Equity/Assets (%)	27.9	25.7	23.9	22.3
Equity/Loans (%)	20.6	18.9	17.6	16.4
CAR	24.7	22.8	21.2	19.3
CAR Tier I	22.6	20.8	19.3	17.6
ASSET QUALITY				
Gross NPLs (%)	2.3	2.3	2.3	2.3
Net NPLs (%)	1.5	1.5	1.5	1.4
Coverage Ratio (%)	49.7	50.1	50.3	52.0
Credit Costs	1.6	1.7	1.6	1.6
ROAA TREE				
Net Interest Income	5.5	5.3	5.4	5.4
Non-Interest Income	2.2	2.5	2.4	2.3
Operating Cost	2.5	2.8	2.7	2.6
Provisions	1.2	1.3	1.2	1.2
Tax	1.0	1.0	1.0	1.0
ROAA	2.9	2.8	2.9	2.9
Leverage (x)	4.8	4.7	5.2	5.6
ROAE	14.0	13.2	14.9	16.0

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
07-Nov-25	BUY	380	Result Update

Source: Axis Securities Research

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