

Industry
Bloomberg
BSE CODE

Financial
MASFIN IN
540749

Sequential Muted AUM Growth with Marginal rise in GNPA

RATING	NEUTRAL
CMP	1115
Price Target	922
Potential Upside	-17%
Rating Change	↔
Estimate Change	↔
Target Change	↔

STOCK INFO	
52wk Range H/L	1149/505
Mkt Capital (Rs Cr)	6139
Free float (%)	18%
Avg. Vol 1M (,000)	5
No. of Shares (Cr)	5
Promoters Pledged %	20%

Fig in Rs Cr

FINANCIAL	FY19	FY20E	FY21E
NII	352	398	494
PPP	288	327	405
PAT	152	193	228
NIM %	7.1	6.3	6.5
EPS (Rs)	28	35	42
EPS growth (%)	47	27	18
ROE (%)	18.1	19.6	19.6
ROA (%)	4.8	4.7	4.9
BV	166	194	231
P/B (X)	6.7	5.7	4.8
P/E (x)	40.1	31.5	26.7

3QFY20 Result Update

- AUM growth has sequentially remained steady. NII has grown at a rate of 12% YoY with PAT growth of 21% YoY. NIM has improved sequentially at 7.76% majorly on the back of improvement in the cost of funds from 9.7% to 9.2%. The expense growth has declined by 5% which has led to a decline in the C/I ratio to 19.6%.
- AUM growth has grown at a rate of 21%/ 1% on YoY/ QoQ basis. The share of the portfolio stood at 62% MSME, 28% SME, 2 Wheeler standing at 8% while commercial vehicle standing at 3%. The growth was mainly driven by the SME & MSME segment while the two-wheeler segment has declined on a YoY basis.
- Management has guided AUM growth to remain in the range of 15-20% range with focus mainly remaining in the MSME segment. The share of on book to off book stood at 42% and 58%.
- The disbursement has increased by 6% to Rs 1322 Cr. While 9MFY20 stands at Rs 3883 Cr registering a growth of 14%.
- The GNPA has increased sequentially to 1.29% while NNPA has remained on a similar range of 1.06%. The credit cost has declined sequentially to 1.25% from 1.57% QoQ. Management has guided GNPA to range between 1.25-1.5% while credit cost is expected to remain in the 1-1.25% range.
- The share of AUM in 30 dpd stood at 2.8%, 30-60 dpd stood at 1%, 61-90 dpd stood at 1.5%, 91-120 dpd stood at 0.3% while more than 120 dpd stood at 1%. The % share stood almost on a similar range on a QoQ basis.
- The sourcing intermediaries have increased to 788 registering an increase of 10 sourcing partners in NBFC & 2W while CV stood at 321 QoQ. The sales feet on the street have declined to 675 from 734 sequentially.
- The share of Gujarat stood at 56%, Maharashtra stood at 20%, Rajasthan stood at 10%, Madhya Pradesh stood at 10% while the rest of the portfolio is divided between Delhi, Karnataka & Tamil Nadu. The total number of branches stood at 105. The company is trying to extend its direct branches network, going ahead the sourcing intermediaries and direct branches are expected to be in the ratio of 50:50.
- Capital Adequacy Ratio stood at 30.11%. The Tier I capital stood at 28.79%.
- MAS Housing finance subsidiary has registered a 13% YoY AUM growth with PAT growth of 19%.
- The Gross Stage 3 Assets and Net Stage 3 Assets stood at 0.34% and 0.24% with Capital Adequacy Ratio at 37.77% while Tier-I capital stood at 30.55%. It has 69 branches and have sourcing arrangements with 57 intermediaries

View and Valuation

The AUM growth has remained steady 1%/20% on QoQ/YoY, growth was majorly driven by the SME segment. The NIM pressure has eased on the back of a decline in the cost of funds. Management has been able to maintain GNPA at 1.29% level even though there has been some stress in the Karnataka & Maharashtra region during the quarter. Further management has optimistically guided for loan growth of 15-20% while maintaining credit cost 1.25-1.5% range. We maintain our estimate for FY21. However with the recent rally in the stock, valuation has stretched further giving limited upside on the stock. We maintain our target price of Rs 922 at 4x BV FY21e and downgrade the stock to NEUTRAL.

Key Risks to our rating and target

- Slowdown in auto industry will hamper the growth
- Increase in cost of fund and unable to pass on the burden will impact Margins.

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Sequential Muted Growth

3QFY20 Results

Above Our Expectations

Fig in Rs Cr

FINANCIALS	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY %	QoQ%	FY18	FY19	YoY %
Interest Inc.	158	152	156	164	179	13.7%	9.5%	439	559	27.1%
Interest Exp.	59	57	64	73	69	17.0%	-5.6%	170	207	21.2%
NII	99	95	91	91	111	11.8%	21.6%	269	352	30.9%
Other Income	4	3	3	4	4	8.2%	14.0%	11	14	21.2%
Total Income	103	99	95	95	115	11.6%	21.3%	280	366	30.5%
Ope Exp.	20	19	19	22	22	10.7%	1.1%	73	77	6.8%
PPP	83	80	76	72	92	11.8%	27.6%	208	288	38.7%
Provisions	13	16	13	23	19	41.3%	-17.5%	43	55	27.5%
PBT	69	64	63	50	74	6.3%	47.9%	165	234	41.6%
Tax	24	22	22	3	19	-21%	475.0%	62	82	32.5%
Extra Items	-	-	-	-	-	-	-			-
Net Profit	45	42	41	47	55	20.8%	17.9%	103	152	47%

Concall Highlights

- The cost of borrowings has come down from 9.71% to 9.15%. assignment to the banks remains in the 47%.
- AUM growth stood at 20% with PAT growth at 21% YoY. AUM growth was prudent keeping a tab on strong underwriting. Management has guided to maintain 15-20% loan growth. The focus is expected to remain in the MSME segment.
- Stage 3 Net asset stood 1.29% with Net stage 3 standing at 1.06%.
- Capital adequacy stood at 30.11% while tier 1 standing at 28.79%.
- Liability management is done through assignment transactions through the various branch. MASFIN has done Rs 966 Cr of assignment transaction this quarter. Going forward management has Rs 1500 Cr sanction in hand which will be utilized in the subsequent quarter going ahead.
- MASFIN was able to raise Rs 300 Cr of term loan from SBI, OBC and Indian Bank. It further has Rs 300 Cr sanctions in hand which will be utilized in the subsequent quarter.
- Housing finance growth stood at 12.75%. The net stage has improved to 0.25% from 0.24% QoQ. Housing finance has targeted to generate 15% RoE.
- Management plan to increase direct reach via operational centers. 3 years down the line the proportion of direct and channel partners are expected to be in the ratio of 50:50. The number of direct branches added in the last quarter is 3 with 27 in 9MFY20. The NBFC partners added is at 7-8 in 3QFY20.
- The NBFC channel partners originate as per mutually agreed credit screen. The originated portfolio is audited and then the interest rate sharing model will be mutually determined by NBFC & MASFIN.
- Management has guided GNPA to range between 1.25-1.5% while credit cost is expected to remain in the 1-1.25% range.
- The channel partners has bear losses in the state of Karnataka & Maharashtra. Rajasthan was facing issues on the LAP portfolio majorly on the ticket size front and valuation techniques.

Profitability Matrix

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY (+/-)	QoQ (+/-)
C/I Ratio %	23.3	23.2	19.8	18.9	20.3	23.5	19.6	-0.16	-3.93
Empl. Cost/ Tot. Exp. %	14.7	13.0	12.3	11.9	13.1	13.5	12.5	0.24	-1.01
Other Exp/Tot. Exp.%	8.3	9.9	6.0	6.1	5.4	8.0	5.1	-0.90	-2.93
Provision/PPP %	22.7	18.9	15.9	19.9	17.1	31.1	20.1	4.19	-10.98
Tax Rate %	35.0	35.6	34.5	35.0	35.0	6.6	25.5	-8.95	18.95
Int Exp./Int Inc. (%)	35.1	36.1	37.2	37.4	41.3	44.4	38.3	1.07	-6.14
Other Inc./NII %	0.0	0.0	0.1	0.1	0.1	0.1	0.1	-0.01	0.01
PPP/ Net Income %	76.7	76.8	80.2	81.1	79.7	76.5	80.4	0.16	3.93
PAT/ Net Income %	38.5	40.1	44.2	42.2	42.9	49.2	47.8	3.63	-1.39
NII Growth % (YoY)	50.7	23.7	30.2	17.5	16.0	5.8	11.8	-18.46	6.00
PPP Growth YoY %	65.2	27.4	51.3	20.6	24.8	9.3	11.8	-39.46	2.52
PAT Growth %	81.6	42.2	51	29.1	33.7	34.7	20.8	-30.16	-13.87

Margin Performance

MARGIN %	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY (+/-)	QoQ (+/-)
Yield on Advances	12.1	12.5	13.6	12.1	11.5	11.3	11.7	-1.82	0.46
Cost Of Funds	9.6	10.3	11.1	9.9	10.0	10.5	9.5	-1.64	-1.05
Spreads	2.4	2.2	2.4	2.2	1.5	0.8	2.2	-0.18	1.50
NIM	8.1	8.2	8.8	7.9	7.1	6.7	7.8	-1.00	1.07

Exhibit: Calculated Yield and Cost

Spreads were Improved Sequentially

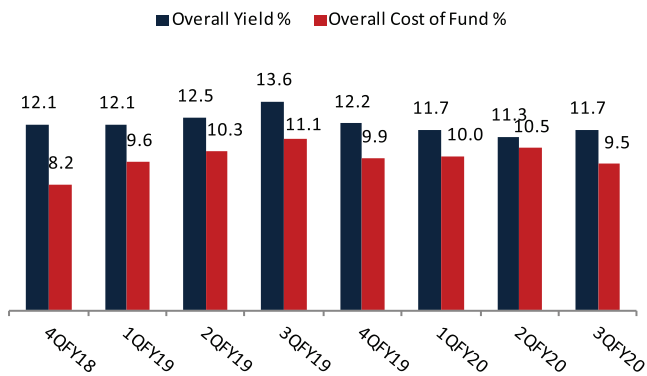
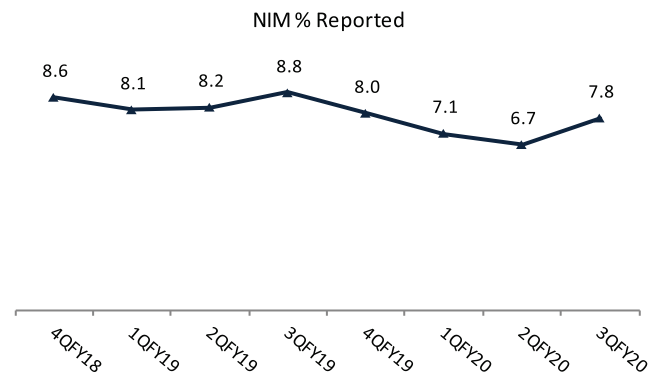


Exhibit: Net Interest Margin

NIM Calc. has Improved



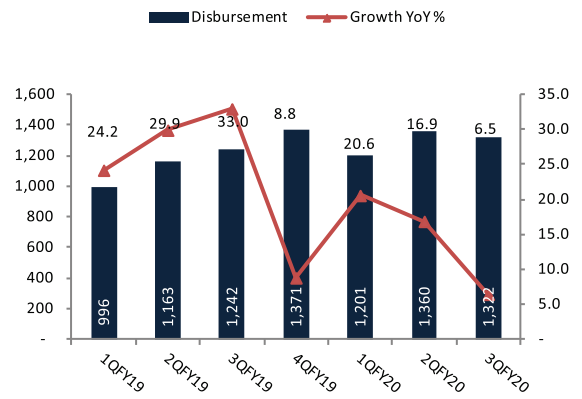
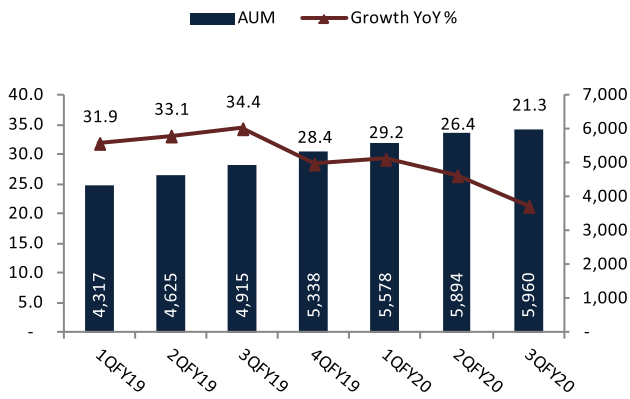
Asset & Borrowings Growth Trend

Fig in Rs Cr

	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20
Disbursements	934	1260	996	1163	1242	1371	1201	1360	1322
Growth YoY %	47	18	24	30	33	9	21	17	6
AUM	3658	4157	4317	4625	4915	5338	5578	5894	5960
Growth YoY %	33	32	32	33	34	28	29	26	21
Borrowings	1603	1785	3432	3844	4490	4604	2959	2980	3053
Growth YoY %	17	28	17	25	52	36	46	35	24

Exhibit: AUM Growth %

Exhibit: Disbursement Growth %



Asset Mix

	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20
Micro-Enterprise loans (MEL)	62.0	63.0	63.8	62.6	62.3	63.0	64.5	61.3	61.5
SME loans	24.5	25.5	23.8	24.1	24.3	25.3	24.7	28.5	28.1
2-Wheeler loans	9.7	8.0	9.1	9.3	10.2	8.7	8.2	7.9	4.5
Commercial Vehicle loans	3.8	3.5	3.4	3.2	3.2	3.0	2.7	2.4	2.6

Asset Quality

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY (+/-)	QoQ (+/-)
GNPA	51	60	68	74	78	75	77	17	2
GNPA %	1.2	1.3	1.4	1.4	1.4	1.3	1.3	-	0.0
NNPA	41	49	56	61	64	62	63	14	1
NNPA %	1.1	1.1	1.1	1.1	1.1	1.1	1.1	-	-
Total Specific PCR %	20	18	18	18	18	17	18	-	1

Exhibit: Asset Quality

GNPA increased Remained Steady

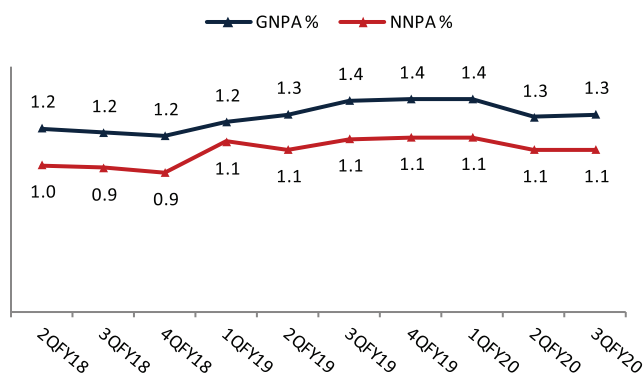


Exhibit: Provisions

PCR has Slightly Improved

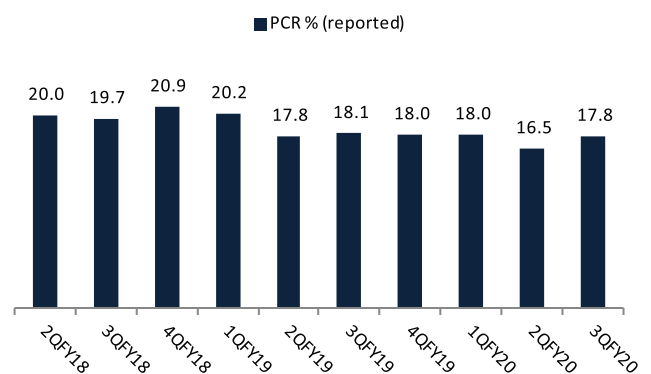
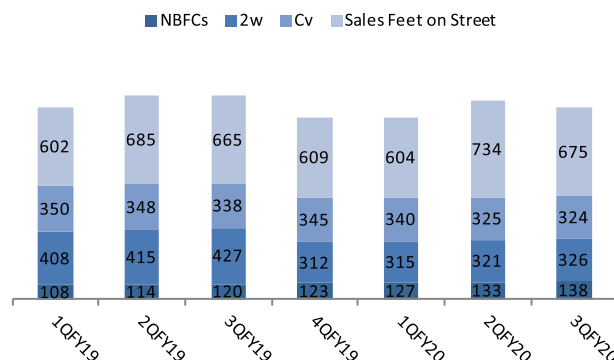
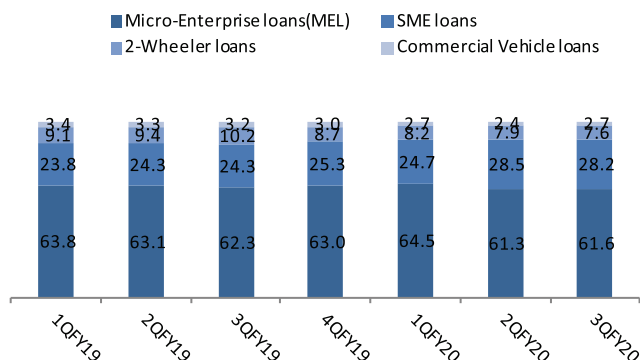


Exhibit: AUM Break Up

Exhibit: Sourcing Partners



Asset Quality

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20
1 – 30 DPD	2.8	2.6	2.6	2.6	2.7	2.8	2.8
31 – 60 DPD	1.6	1.3	1.3	1.2	1.1	1.0	1.0
61 – 90 DPD	1.0	1.4	1.1	1.0	1.2	1.5	1.5
91 – 120 DPD	0.5	0.5	0.4	0.7	0.3	0.3	0.3
120 DPD	0.7	0.8	0.5	0.7	1.1	1.0	1.0

Others

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20
Stage 1	2,610	2,855	2,828	3,083	3,328	3,521	3,258
Stage 2	101	117	97	102	116	125	123
Stage 3	48	56	62	66	67	62	65
Assigned Portfolio	1,558	1,633	1,969	2,087	2,067	2,186	2,514

On/Off Book Mix

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20
Off Book	37	35	40	39	37	37	42
On Book	63	65	60	61	63	63	58

Average Ticket Size

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20
MSME	34,285	35,596	30,627	37,384	34,033	36,140	38,482
SME	72	77	54	51	37	39	49
2 Wheeler	42,364	49,348	43,076	51,079	45,161	45,104	51,072
Commercial Vehicle	93545	120848	134783	153567	210682	203701	209360

State Wise Break Up

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20
Rajasthan	8	8	8	8	9	10	10
Gujarat	37	37	37	38	51	57	59
Maharashtra	20	20	20	19	19	21	21
Other	35	35	35	35	21	12	15

Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	59	59	59	90	55	55	55	55
Equity Capital	59	59	59	90	55	55	55	55
Preference Capital	-	-	-	-	-	-	-	-
Reserves & Surplus	56	81	118	237	719	855	1,008	1,209
Networth	115	141	178	327	774	910	1,062	1,264
Change (%)	23	22	26	84	137	18	17	19
Total Borrowings	-	1,213	1,486	1,513	1,785	2,567	3420	4170.2
Change (%)	N/A	N/A	22	2	18	44	33	22
Provisions	13	20	13	16	1	0	0	0
Other Liabilities	944	109	138	168	138	227	126	148
Total Liabilities	1,073	1,483	1,814	2,024	2,698	3,704	4609	5582
Investments	11	11	11	11	13	22	40	40
Loans	858	1,228	1,592	1,936	2,546	3,219	4104	5004
Change (%)	53	43	30	22	32	26	28	22
Fixed Assets	6	5	6	7	57	58	66	79
Other Assets	14	22	30	34	33	37	37	46
Cash Balances	185	217	175	37	48	369	362	413
Total Assets	1,073	1,483	1,814	2,024	2,698	3,704	4609	5582

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Interest income	177	225	293	341	439	559	681	848
Interest expended	75	106	134	151	170	207	283	354
Net Interest Income	101	120	159	189	269	352	398	494
Change (%)	24	18	33	19	42	31	13	24
Other Income	1	1	1	1	11	14	15	18
Change (%)	(18)	14	8	(4)	1,197	21	11	13
Total Net Income	102	120	160	190	280	366	413	512
Change (%)	23	18	33	19	47	30	13	24
Operating Expenses	40	43	55	60	73	77	86	107
Change (%)	(11)	7	28	10	20	7	12	24
Employee Expenses	14	16	22	26	38	47	53	64
Change (%)	11	17	40	17	45	24	12	20
Other Expenses	26	27	33	34	35	30	34	44
Pre-provisioning Profit	62	78	105	130	208	288	327	405
Change (%)	64	25	35	24	60	39	13	24
Provisions	14	19	23	27	43	55	74	97
Change (%)	72	34	20	15	60	28	35	31
PBT	48	58	82	103	165	234	253	308
Tax	16	19	28	36	62	82	60	80
Profit After Tax	31	39	53	67	103	152	193	228
Change (%)	84	26	37	26	54	47	27	18
Adjusted Profit After Tax	31	39	53	67	103	152	193	228
Change (%)	84	26	37	26	54	47	27	18

Financial Details

Key Ratios

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Balance Sheet Metrics								
AUM	1064	2015	2565	3156	4114	5338	6619	7943
Off-Book AUM	206	787	973	1221	1568	2120	2515	7943
AUM Growth (%)	N/A	89.4	27.3	23.0	30.4	29.7	24.0	20.0
Borrowing Growth (%)	N/A	N/A	22.4	1.8	18.0	43.8	33.2	21.9
Loan/Borrowing (%)	-	1.0	1.1	1.3	1.4	1.3	1.2	1.2
Disbursement (Rs Cr)	1429	2044	2978	3119	3891	4772	5528	6634
Disbursement Growth (%)	32.6	43.0	45.7	4.7	24.8	22.6	15.8	20.0
CRAR (%)	19	17	18	23	31	29	26	25
Tier 1 (%)	13.2	11.5	11.1	16.9	29.1	26.4	24.8	24.3
Tier 2 (%)	5.7	5.6	7.3	6.0	2.2	2.8	1.3	1.1
Debt/Equity(x)	-	101.2	107.2	127.9	142.7	125.4	120.0	120.0
Assets Quality Metrics								
Gross NPA (Rs)	15	21	28	34	53	74	86	111
Gross NPA (%)	1.0	1.0	1.1	1.1	1.3	1.4	1.3	1.4
Net NPA (Rs)	12	17	24	30	49	61	59	77
Net NPA (%)	0.8	0.9	0.9	1.0	1.2	1.1	0.9	1.0
Specific Provision Coverage (%)	19	18	14	13	8	18	31	31
Provision/Average Advances (%)	1.2	1.2	1.0	0.9	1.2	1.2	1.2	1.3
Margin Metrics								
Yield On Advances (%)	14.7	13.4	12.8	11.9	12.1	11.8	11.4	11.6
Cost Of Funds (%)	9.7	9.4	9.5	10.1	10.3	9.5	9.5	9.3
Spread (%)	5.0	4.0	3.3	1.7	1.6	1.8	1.3	1.8
NIM on AUM (%)	8.4	7.1	6.9	6.6	7.3	7.1	6.3	6.5
Profitability & Efficiency Metrics								
Int. Expense/Int.Income (%)	42.7	46.9	45.7	44.4	38.8	37.0	41.6	41.7
Other Income/NII (%)	0.7	0.7	0.6	0.5	4.3	4.0	3.9	3.6
Operating Profit/Net Income (%)	60.8	64.4	65.6	68.2	74.1	78.8	79.1	79.1
Net Profit/Net Income (%)	30.5	32.4	33.4	35.4	36.9	41.6	46.7	44.6
Cost to Income (%)	39.2	35.6	34.4	31.8	25.9	21.2	20.9	20.9
Employee Exp/Net Income (%)	13.4	13.3	14.0	13.8	13.5	12.9	12.8	12.4
Cost on Average Assets (%)	3.3	2.6	2.4	2.1	2.0	1.6	1.4	1.5
Provision/PPP (%)	23.3	25.0	22.2	20.6	20.6	18.9	22.5	23.8
Tax Rate (%)	34.7	33.0	34.6	34.6	37.4	35.0	23.7	26.0
PValuation Ratio Metrics								
EPS (Rs)	10	12	17	16	19	28	35	42
Change (%)	14.8	25.6	36.9	(6.0)	20.6	47	27.1	18.0
ROAE (%)	29.7	30.5	33.5	26.7	18.8	18.1	19.6	19.6
ROAA (%)	3.4	3.1	3.2	3.5	4.4	4.8	4.7	4.9
Dividend Payout (%)	-	-	-	-	9.5	26.7	21.0	11.8
Dividend yield (%)	-	-	-	-	0.3	0.5	0.1	0.1
DPS	-	-	-	-	1.5	3.6	1.5	1.5
Book Value(Rs)	36	44	56	76	142	166	194	231
Change (%)	(23)	22	26	37	86	18	17	19
P/B (X)	-	-	-	-	4.2	4.3	5.7	4.8
P/E (X)	-	-	-	-	31.4	25.9	31.5	26.7

Financial Details

Exhibit: DuPont Analysis

	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Interest Income	19.2	17.6	17.8	17.7	18.6	20.7	18.4	18.4
Interest expended	8.2	8.3	8.1	7.9	7.2	7.7	7.6	7.7
Net Interest Income	11.0	9.4	9.6	9.9	11.4	13.0	10.7	10.7
Non-Fund Based Income	0.1	0.1	0.1	0.0	0.5	0.5	0.4	0.4
Total Income	11.1	9.4	9.7	9.9	11.9	13.6	11.2	11.1
Total Operating Expenses	4.3	3.4	3.3	3.1	3.1	2.9	2.3	2.3
Employee Expenses	1.5	1.3	1.4	1.4	1.6	1.7	1.4	1.4
Other Expenses	2.9	2.1	2.0	1.8	1.5	1.1	0.9	0.9
Operating Profit	6.7	6.1	6.4	6.8	8.8	10.7	8.8	8.8
Provisions	1.6	1.5	1.4	1.4	1.8	2.0	2.0	2.1
Others								
PBT	5.2	4.6	5.0	5.4	7.0	8.7	6.8	6.7
Tax	1.8	1.5	1.7	1.9	2.6	3.0	1.6	1.7
PAT/RoAA	3.4	3.1	3.2	3.5	4.4	5.6	5.2	4.9
Equity Multiplier (x)	8.8	10.0	10.3	7.6	4.3	3.2	3.8	4.0
ROAE	29.7	30.5	33.5	26.7	18.8	18.1	19.6	19.6

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Disclosure of Interest Statement-

Analyst's ownership of the stocks mentioned in the Report	NIL
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