

Satin Creditcare Network | HOLD

Asset quality on the mend; growth outlook uncertain

In 4QFY25, Satin Creditcare (Satin) witnessed a weak quarter as anticipated with a PAT of INR 0.22bn (-83%/+54% YoY/QoQ), -31% below our estimates, resulting in RoA/RoE of 0.8%/3.4%. Yields declined -247bps QoQ on account of lower DA income, which led to lower reported NIMs (-288bps QoQ). Lower non-interest income and higher opex led to further miss in PPOP at INR 1.3bn (-46%/-41% YoY/QoQ, -45% JMFe). Though credit cost was elevated at 3.8% for 4QFY25, full year credit cost (reported at 4.6%) was within the management guidance of 4.5-5%. However, positive reversal in PAR 30-90 bucket (at 0.9% vs 1.8% QoQ) indicates early signs of recovery with steady X-bucket collection efficiency of 99.8%. Moreover, Satin has lower exposure to Karnataka (0.8%) and Tamil Nadu (2.6%), thus collections are unlikely to be impacted materially. However, we believe that full implementation of MFIN guardrails is likely to result in constrained growth and elevated opex (on account of higher work-force hiring) over the near-term leading to expected avg RoA/RoE of 2.5%/11.4% over FY26E/27E. We maintain HOLD on the stock with a revised TP of INR 155, valuing it at an unchanged target multiple of 0.5x FY27E book. Coverage has been transferred to Mayank Mistry.

- **Steady growth:** AUM during the quarter grew +8% YoY, +5% QoQ led by healthy disbursements growth of +9% QoQ, flat YoY. Active borrowers in the MFI business declined by 0.03mn QoQ and 0.05mn YoY. On a consolidated basis, active clients of Satin declined to 3.36mn. Management refrained from giving any growth guidance for FY26 but expects 3% increase in rejection rates in the incremental underwriting led by MFIN guardrails. We expect growth momentum to start picking up from 2HFY26 and expect AUM growth of ~12% CAGR over FY25-27E.
- **Higher credit cost and elevated opex continue to drive lower PAT:** Satin reported a PAT of INR 0.22bn (-83% YoY, +54% QoQ), which was -31% below our estimates. Yields declined -247bps QoQ on account of lower DA income which led to lower reported NIMs (-288bps QoQ). CoFs were down -59bps QoQ. Lower non-interest income and higher opex (+47% YoY, +14% QoQ) led to a further miss in PPOP at INR 1.3bn (-46%/-41% YoY/QoQ). The higher opex was on account of increased hiring in collections and underwriting teams to implement MFIN guardrails. Credit costs remained elevated at 3.8% for 4QFY25 while full year reported credit costs was at 4.6% in line with the management guidance of 4.5-5%. We expect opex to remain elevated over the medium term and credit costs to start normalising going forward, leading to average RoA/RoE of 2.5%/11.4% over FY26E/27E.
- **Asset quality improves sequentially:** GNPA/NNPA improved -20bps/-8bps QoQ to 3.7%/1.4% while overall PCR ratio was steady at 62.3%. Satin had indicated pockets of stress in states of Odisha, Punjab, Rajasthan, Jharkhand and Maharashtra where things have started improving. However, Bihar GNPA remains elevated at ~4.9% due to Karza Mukti Abhiyan and migration of clients. PAR 30-90 bucket improved sequentially to 0.9% (vs 1.8% QoQ), which indicates early signs of recovery while X-bucket collection efficiency



Mayank Mistry

mayank.mistry@jmfl.com | Tel: (91 22) 62241877

Ajit Kumar

ajit.k@jmfl.com | Tel: (91 22) 66303489

Raghvesh

raghvesh@jmfl.com | Tel: (91 22) 66303099

Shreyas Pimple

shreyas.pimple@jmfl.com | Tel: (91 22) 66301881

Gayathri Shivaram

gayathri.shivaram@jmfl.com | Tel: (91 22) 66301889

Shubham Karvande

Shubham.karvande@jmfl.com | Tel: (01 22) 6630 3696

Recommendation and Price Target

Current Reco.	HOLD
Previous Reco.	HOLD
Current Price Target (12M)	155
Upside/(Downside)	-7.7%
Previous Price Target	150
Change	3.3%

Key Data – SATIN IN

Current Market Price	INR168
Market cap (bn)	INR18.5/US\$0.2
Free Float	47%
Shares in issue (mn)	110.0
Diluted share (mn)	
3-mon avg daily val (mn)	INR40.6/US\$0.5
52-week range	252/131
Sensex/Nifty	80,747/24,414
INR/US\$	84.8

Price Performance

%	1M	6M	12M
Absolute	20.1	1.7	-30.5
Relative*	10.4	0.1	-36.8

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Profit	4,359	1,861	2,749	3,798	4,448
Net Profit (YoY) (%)	8,957.3%	-57.3%	47.7%	38.2%	17.1%
Assets (YoY) (%)	33.6%	10.5%	10.8%	12.3%	14.7%
ROA (%)	4.8%	1.7%	2.3%	2.8%	2.9%
ROE (%)	21.8%	7.5%	10.3%	12.6%	13.0%
EPS	39.6	16.9	25.0	34.5	40.4
EPS (YoY) (%)	6,914.5%	-57.3%	47.7%	38.2%	17.1%
P/E (x)	4.2	9.9	6.7	4.9	4.2
BV	218	231	256	291	331
BV (YoY) (%)	16.3%	5.9%	10.8%	13.5%	13.9%
P/BV (x)	0.77	0.73	0.66	0.58	0.51

Source: Company data, JM Financial. Note: Valuations as of 07/May/2025

JM Financial Institutional Securities Limited

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was also steady at 99.8%. Moreover, Satin has lower exposure to Karnataka (0.8%) and Tamil Nadu (2.6%), thus the collections are unlikely to be impacted materially due to government ordinance on collections. We build in average credit costs of 3% over FY26-27E.

- **Valuation and view:** We believe that, although the company showed signs of improvement in asset quality, full implementation of MFIN guardrails is likely to result in constrained growth and elevated opex (on account of higher work-force hiring) over the near term, leading to expected average RoA/RoE of 2.5%/11.4% over FY26E/27E. We maintain HOLD on the stock with a revised TP of INR 155, valuing it at an unchanged target multiple of 0.5x FY27E book.

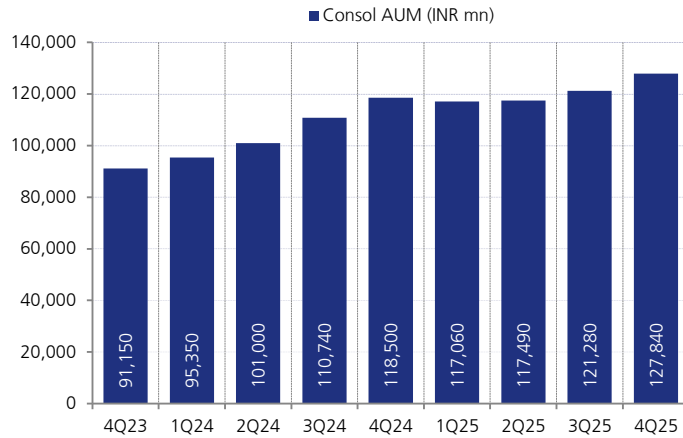
Satin – 4Q25 Performance Highlights

Exhibit 1. Satin Creditcare Network: Results snapshot

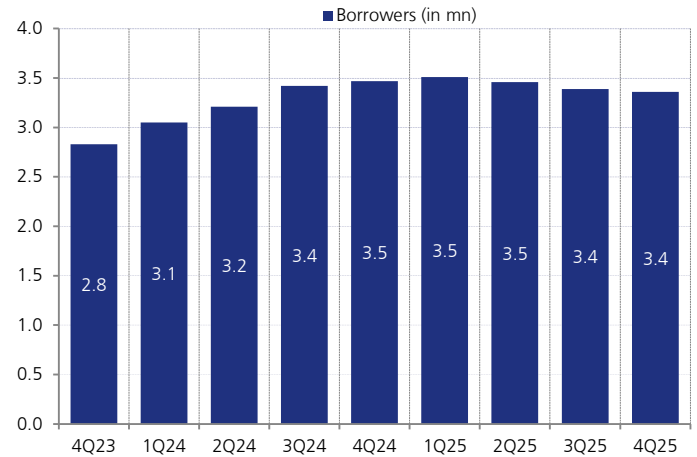
Earnings Table (Rs. mn.) - consol	4Q'24	3Q'25	4Q'25	YoY (%)	QoQ (%)	4Q'25E	A/E
Interest income on Portfolio loans	5,293	5,647	5,891	11%	4%		
Income from Assigned loans	892	905	306	-66%	-66%		
NII	3,665	3,874	3,560	-3%	-8%	4,006	-11%
Non-Interest income	284	324	28	-90%	-91%	364	-92%
Total Income	3,949	4,198	3,588	-9%	-15%	4,370	-18%
Employee Cost	1,168	1,499	1,681	44%	12%		
Other Operating Expenses	399	523	627	57%	20%		
Total Operating Expenses	1,568	2,023	2,308	47%	14%	2,052	13%
Operating Profit	2,382	2,175	1,280	-46%	-41%	2,318	-45%
Total Provisions	671	2,025	1,098	64%	-46%	1,874	-41%
PBT	1,711	149	182	-89%	22%	443	-59%
Tax	429	7	-37	-109%	-631%	111	-133%
Reported Profit	1,282	143	219	-83%	54%	333	-34%
AUM and Balance sheet (Rs. bn.)							
AUM	118,500	121,280	127,840	8%	5%	127,416	0%
Disbursements	31,040	28,350	30,950	0%	9%	29,678	4%
Key Ratios							
Yield (%)	23.3%	23.8%	20.3%	-3.0%	-3.5%		
CoFs (%)	9.1%	9.1%	8.5%	-0.6%	-0.6%		
NIMs (%)	14.2%	14.7%	11.8%	-2.4%	-2.9%		
Cost / Income ratio (%)	39.7%	48.2%	64.3%	24.6%	16.1%		
Credit cost (% of AUM)	2.34%	6.79%	3.52%	1.2%	-3.3%		
Gross NPA (%)	2.50%	3.90%	3.70%	1.2%	-0.2%		
Net NPA (%)	0.99%	1.47%	1.39%	0.4%	-0.1%		
Coverage Ratio (%)	60.4%	62.3%	62.3%	1.9%	0.0%		
RoA (%)	4.90%	0.51%	0.76%	-4.1%	0.3%		
RoE (%)	21.98%	2.23%	3.43%	-18.6%	1.2%		

Source: Company, JM Financial

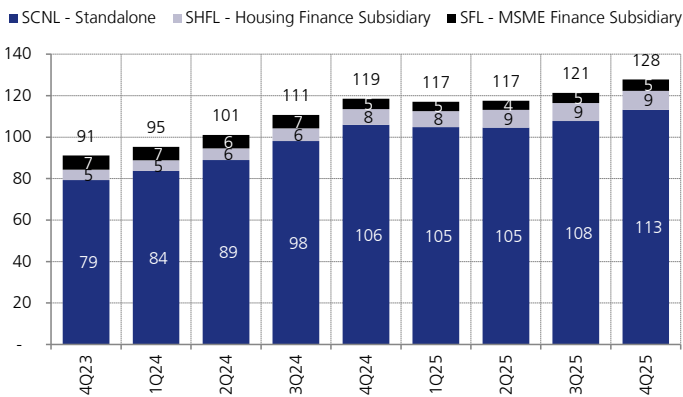
Quarterly Trends

Exhibit 2. Satin: Trends in AUM


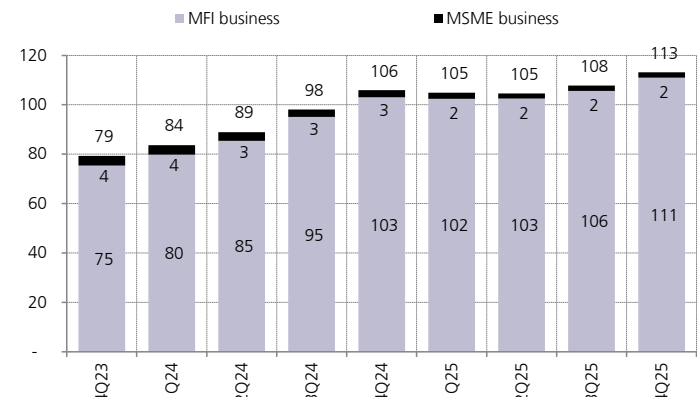
Source: Company, JM Financial

Exhibit 3. Satin: Trends in borrower base


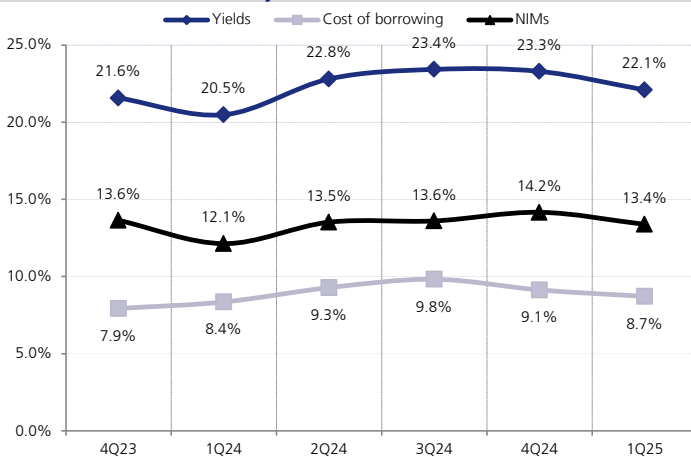
Source: Company, JM Financial

Exhibit 4. Satin: Consol AUM breakup (INR bn)


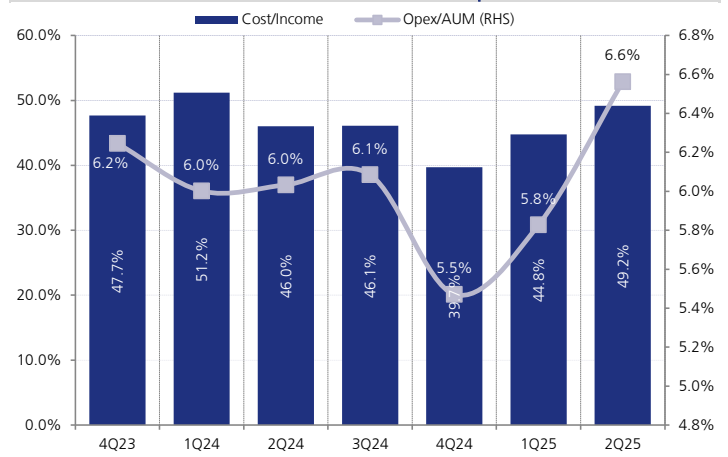
Source: Company, JM Financial; SFL includes JLG BC portfolio of TSFL which is being run down

Exhibit 5. Satin: Standalone AUM breakup (INR bn)


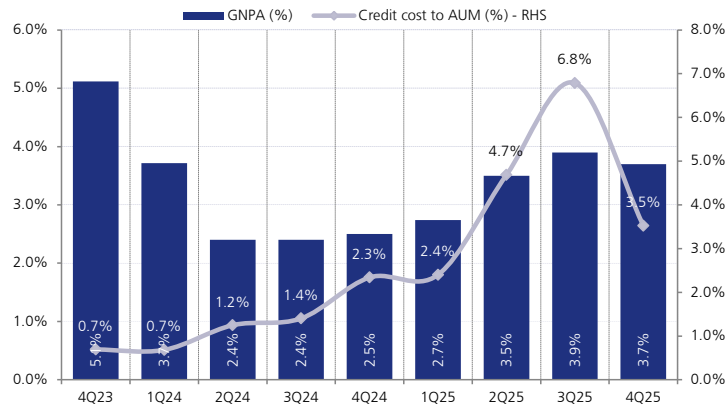
Source: Company, JM Financial

Exhibit 6. Satin: Trends in yields, CoFs and NIMs


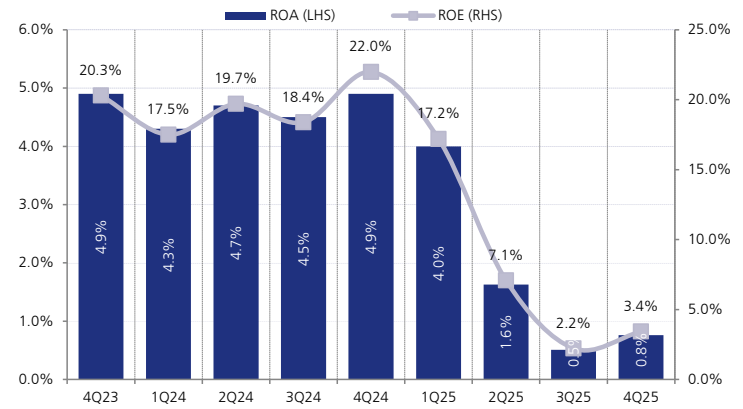
Source: Company, JM Financial

Exhibit 7. Satin: Trends in Cost/Income and Opex/Assets


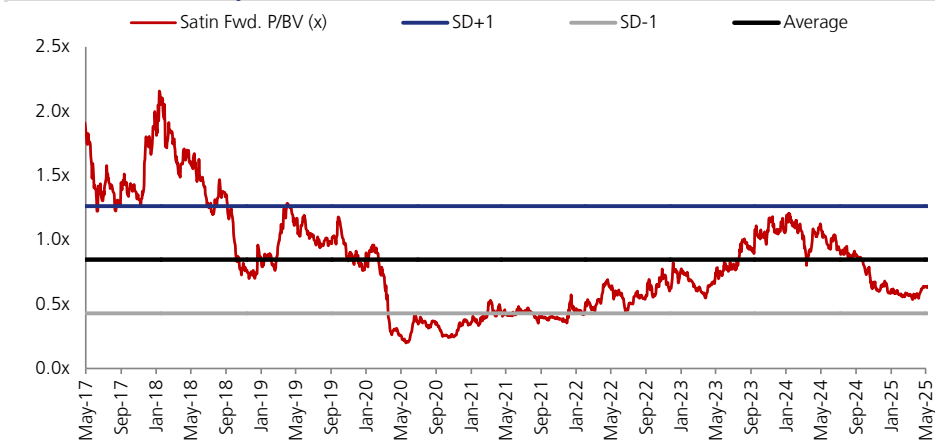
Source: Company, JM Financial

Exhibit 8. Satin: Trends in GNPA and ECL Provisions

Source: Company, JM Financial

Exhibit 9. Satin: Trends in RoA/RoE

Source: Company, JM Financial

Exhibit 10. Satin: One year forward P/B

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement						(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Interest Income (NII)	12,536	14,876	16,923	18,584	21,069	
Non Interest Income	859	657	831	1,051	1,330	
Total Income	13,395	15,533	17,754	19,635	22,399	
Operating Expenses	6,058	7,971	9,407	10,666	12,098	
Pre-provisioning Profits	7,337	7,562	8,347	8,969	10,302	
Loan-Loss Provisions	1,508	5,204	4,682	3,905	4,371	
Total Provisions	1,508	5,204	4,682	3,905	4,371	
PBT	5,829	2,358	3,665	5,064	5,930	
Tax	1,469	496	916	1,266	1,483	
PAT (Pre-Extra ordinaries)	4,359	1,861	2,749	3,798	4,448	
Extra ordinaries (Net of Tax)	0	0	0	0	0	
Reported Profits	4,359	1,861	2,749	3,798	4,448	
Dividend	0	0	0	0	0	
Retained Profits	4,359	1,861	2,749	3,798	4,448	

Source: Company, JM Financial

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Growth (YoY) (%)					
Borrowed funds	33.9%	11.1%	8.0%	12.0%	15.0%
Advances	40.8%	10.5%	11.7%	12.5%	14.8%
Total Assets	33.6%	10.5%	10.8%	12.3%	14.7%
NII	47.8%	18.7%	13.8%	9.8%	13.4%
Non-interest Income	-8.9%	-23.5%	26.4%	26.5%	26.5%
Operating Expenses	14.5%	31.6%	18.0%	13.4%	13.4%
Operating Profits	77.5%	3.1%	10.4%	7.4%	14.9%
Core Operating profit	133.9%	15.2%	-29.2%	-27.1%	98.9%
Provisions	-63.0%	245.1%	-10.0%	-16.6%	12.0%
Reported PAT	8,957.3%	-57.3%	47.7%	38.2%	17.1%
Yields / Margins (%)					
Interest Spread	11.26%	11.03%	11.48%	11.15%	10.98%
NIM	14.13%	13.83%	14.25%	14.01%	13.91%
Profitability (%)					
ROA	4.75%	1.69%	2.25%	2.79%	2.87%
ROE	21.8%	7.5%	10.3%	12.6%	13.0%
Cost to Income	45.2%	51.3%	53.0%	54.3%	54.0%
Asset quality (%)					
Gross NPA	2.63%	3.21%	2.76%	2.72%	2.68%
LLP	1.44%	4.23%	3.46%	2.57%	2.54%
Capital Adequacy (%)					
Tier I	26.25%	24.44%	24.73%	25.31%	25.42%
CAR	27.66%	25.85%	26.10%	26.61%	26.63%

Source: Company, JM Financial

Balance Sheet						(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Equity Capital	1,100	1,100	1,100	1,100	1,100	
Reserves & Surplus	22,908	24,328	27,077	30,875	35,323	
Borrowed Funds	79,149	87,914	94,948	1,06,341	1,22,292	
Current Liabilities & Provisions	1,742	2,527	5,264	5,913	6,786	
Total Liabilities	1,04,900	1,15,870	1,28,389	1,44,231	1,65,502	
Net Advances	89,081	98,436	1,09,920	1,23,633	1,41,881	
Investments	565	551	615	692	794	
Cash & Bank Balances	12,711	13,748	14,290	16,072	19,863	
Other Current Assets	1,126	1,712	1,931	2,069	1,022	
Fixed Assets	1,326	1,374	1,522	1,639	1,798	
Deferred Tax Assets	91	49	111	125	143	
Total Assets	1,04,900	1,15,870	1,28,389	1,44,231	1,65,502	

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
NII / Assets	13.67%	13.48%	13.86%	13.63%	13.60%
Other Income / Assets	0.94%	0.60%	0.68%	0.77%	0.86%
Total Income / Assets	14.61%	14.07%	14.54%	14.40%	14.46%
Cost / Assets	6.61%	7.22%	7.70%	7.83%	7.81%
PPP / Assets	8.00%	6.85%	6.83%	6.58%	6.65%
Provisions / Assets	1.64%	4.71%	3.83%	2.86%	2.82%
PBT / Assets	6.36%	2.14%	3.00%	3.72%	3.83%
Tax rate	25.2%	21.1%	25.0%	25.0%	25.0%
ROA	4.75%	1.69%	2.25%	2.79%	2.87%
Leverage	4.4	4.6	4.6	4.5	4.5
ROE	21.8%	7.5%	10.3%	12.6%	13.0%

Source: Company, JM Financial

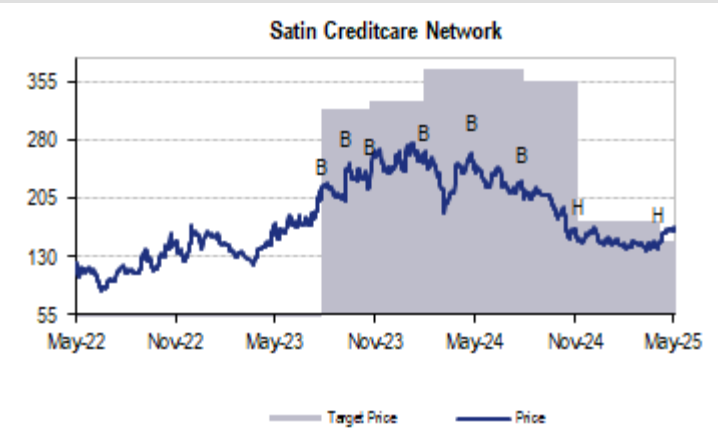
Valuations					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shares in Issue	110.0	110.0	110.0	110.0	110.0
EPS (INR)	39.6	16.9	25.0	34.5	40.4
EPS (YoY) (%)	6,914.5%	-57.3%	47.7%	38.2%	17.1%
P/E (x)	4.2	9.9	6.7	4.9	4.2
BV (INR)	218	231	256	291	331
BV (YoY) (%)	16.3%	5.9%	10.8%	13.5%	13.9%
P/BV (x)	0.77	0.73	0.66	0.58	0.51
DPS (INR)	0.0	0.0	0.0	0.0	0.0
Div. yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
30-Jul-23	Buy	320	
15-Sep-23	Buy	320	0.0
29-Oct-23	Buy	330	3.1
4-Feb-24	Buy	370	12.1
1-May-24	Buy	370	0.0
1-Aug-24	Buy	355	-4.1
11-Nov-24	Hold	175	-50.7
8-Apr-25	Hold	150	-14.3

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Chenergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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