Viewpoint

Result Update

MIRAE ASSET Sharekhan

Satin Creditcare Network Ltd

Q4 weak on expected line, outlook improving

NBFC	Sharekhan code: SATIN
Reco/View: **Positive** ⇔	CMP: **Rs. 163**
Upside potential: **23%** ⇔	

↑ Upgrade ⇔ Maintain ↓ Downgrade

3R MATRIX

	+	=	-
Right Sector (RS)		✓	
Right Quality (RQ)		✓	
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		⇔	
RQ		⇔	
RV		⇔	

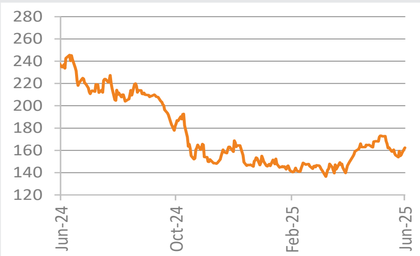
Company details

Market cap:	Rs. 1,800 cr
52-week high/low:	Rs. 250/131
NSE volume: (No of shares)	2.5 lakh
BSE code:	539404
NSE code:	SATIN
Free float: (No of shares)	6.99 cr

Shareholding (%)

Promoters	36.17
FII	4.52
DII	6.35
Others	53.0

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-3.0	11.4	7.2	-30.3
Relative to Sensex	-6.7	0.5	6.1	-38.1

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Lower AUM growth, higher credit cost, elevated Opex and drop in other income impacted Q4. However, credit costs fell sharply by 45.8% q-o-q.
- PAR-1/PAR-30 reduced by 150/110 bps to 4.9% due to focus on recoveries, curbing stress on some geographies. Tamil Nadu and Karnataka implemented bills against coercive recovery wherein Satin has non-significant exposure of 2.6% and 0.85% of its portfolio. Overall, asset quality is showing signs of improvement.
- The company has implemented Guardrail 2.0, which will not materially impact AUM growth in FY26.
- We expect improvement in asset quality, gradual pick up in AUM growth and expansion in return ratios. We stay positive with upside of 23% as outlook for the company is improving. The stock trades at 0.6x/0.5x its FY2026E/ FY2027E ABV estimates, shows favourable risk-rewards.

Net earnings were weak due to lower AUM growth, higher credit costs, sharp rise in opex and drop in other income. NII grew by 17.4/9.6% (y-o-y/q-o-q) to Rs. 325 crore. NIM (calculated) grew by 82/39 bps (y-o-y /q-o-q) at 10.2% (% of AUM) due to reduction in cost of fund by 25/58 bps (y-o-y/q-o-q). Reported NIM fell by 254/28 bps (y-o-y/q-o-q). Other income came in at Rs. 33.4 crore, registering a sharp drop of 71.6%/72.8% (y-o-y/q-o-q) due to loss on fair value changes and drop in net gain on derecognition of financial instruments. Opex surged by 47.2%/14.1% to Rs. 231 crore due to higher employee costs and sharp growth in other opex driven by increase in number of employees for collection and recoveries (focus on asset quality improvement). PPOP fell by 46.3%/41.2% (y-o-y/q-o-q) to Rs. 128 crore due to drop in other income and higher Opex. Credit cost at Rs. 110 crore, up by 63.6% y-o-y and -45.8% q-o-q, a sharp drop on sequential basis was due to improvement in asset quality. Full year credit cost almost near to guided level at 4.6%. Net profit fell by 83% y-o-y, while up by 54% q-o-q at Rs. 22 crore. PAR-1/PAR-30 reduced by 150/110 bps to 4.9%, on a standalone basis. Overall, asset quality improved due to focus on recoveries, collection, curbing stress on some geographies. It has also non-significant exposure in Tamil Nadu (2.6% of portfolio) and Karnataka (0.8% of portfolio). Both states have introduced bill against coercive recoveries. AUM growth was in single digit, growing by 7.9%/5.4% (y-o-y/q-o-q) to Rs. 12,784 crore. While disbursement dropped by 0.3% y-o-y and was up by 9% q-o-q.

Key positives

- PAR-1/PAR-30 reduced by 150/110 bps to 4.9%, on a standalone basis. Overall, asset quality improved due to focus on recoveries, collection, curbing stress on some geographies and non-significant exposure in Karnataka and Tamil Nadu,

Key negatives

- Opex grew 47.2%/14.1% to Rs. 231 crore due to higher employee costs and sharp growth in other opex.

Management Commentary

- Management expects asset quality to improve due to calibrated growth and focus on recoveries. Besides. policy tailwinds like reduction in the repo rate (third time in a row from 6.5% to 5.5%), reduction in CRR, additional efforts to maintain liquidity are expected to help to improve the situation in MFI space.
- The company expects reduction in the credit cost due to improvement in asset quality, which is expected to be one of the key drivers for expansion in RoA for FY26 and FY27.
- Opex grew by 50/10 bps at 1.8% (as a % of AUM) in Q4FY25. According to the management, it is expected to stay high for a couple of quarters. However, it would be lower in FY26 from FY25 levels.
- The company has implemented Guardrail 2.0. Thus, application rejection rate has increased by 3%. Hence, management does not see any meaningful impact on AUM growth. The growth is expected to be positive for FY26 and management will come out with details post Q1FY26.

Our Call

Valuation – Q4FY25 numbers were weak. However, asset quality has improved and we expect further improvement in it due to calibrated growth, focus on recoveries & collection. Implementation of guardrail 2.0 will put some pressure on growth in FY26. AUM/PPoP/PAT is expected to see 13.5%/27.2%/65.6% CAGR over FY25-FY27 driven by gradual pick up in AUM growth & asset quality improvement with lower credit costs. Hence, RoA/RoE would grow to 3.6% /15.9% in FY27 from 1.69%/7.5% in FY25. Favourable risk-reward and policy tailwinds to limit downside. The stock trades at an attractive valuation at 0.6x/0.5x FY2026/ FY2027 BV.

Key Risks

- Lower AUM growth and asset quality risk.

Valuation Rs cr

Particulars	FY23	FY24	FY25	FY26E	FY27E
NII	632	981	1,254	1,436	1,678
PAT	5	436	186	418	511
EPS (Rs.)	0.6	44.3	16.9	38.0	46.4
P/E (x)	262.9	3.7	9.6	4.3	3.5
P/BV (x)	0.8	0.7	0.7	0.6	0.5
RoE (%)	0.30	21.64	7.53	15.20	15.87
RoA	0.06	4.76	1.69	3.41	3.63

Source: Company; Mirae Asset Sharekhan estimates

Key result highlights

- **NII Growth and NIM:** NII grew by 17.4/9.6% (y-o-y/q-o-q) to Rs. 325 crore. NIM grew by 82/39 bps (y-o-y /q-o-q) at 10.2% (% of AUM) due to reduction in cost of fund by 25/58 bps (y-o-y/q-o-q). Reported NIM dropped by 254/28 bps (y-o-y/q-o-q) due to higher drop in yield than cost of funds.
- **Credit cost:** Credit cost at Rs. 110 crore, up by 63.6% y-o-y and -45.8% q-o-q, sharp drop on sequential basis was due to improvement in asset quality. Full-year credit cost almost near to guided level at 4.6%.
- **Asset quality:** PAR-1/PAR-30 reduced by 150/110 bps to 4.9%, on a standalone basis. GS-3/NS-3 improved by 20/10 bps 3.7%/2.3% q-o-q. Overall, asset quality improved due to focus on recoveries, collection, curbing stress on some geographies. It has also non-significant exposure in Tamil Nadu (2.6% of portfolio) and Karnataka (0.8% of portfolio). Both states have introduced bill against coercive recoveries. However, asset quality is showing signs of improvement.
- **AUM growth:** AUM growth was in single digits, growing by 7.9%/5.4% (y-o-y/q-o-q) to Rs. 12,784 crore. While disbursement dropped by 0.3% y-o-y and was up by 9.0% q-o-q.

Results Table Rs cr

Particulars	Q4FY24	Q3FY25	Q4FY25	Y-o-Y	Q-o-Q
Interest income	529	565	589	11.3%	4.3%
Finance cost	252	268	264	4.7%	-1.5%
NII	**277**	**297**	**325**	**17.4%**	**9.6%**
Other income	117.6	122.9	33.4	-71.6%	-72.8%
Opex	157	202	231	47.2%	14.1%
PPOP	**238**	**217**	**128**	**-46.3%**	**-41.2%**
Provisions	67.1	202.5	109.8	63.6%	-45.8%
PBT	**171**	**15**	**18**	**-89.3%**	**21.9%**
Tax	43	1	-4	NM	NM
PAT	**128**	**14**	**22**	**-82.9%**	**53.5%**
AUM	**11,850**	**12,128**	**12,784**	**7.9%**	**5.4%**

Source: Company; Mirae Asset Sharekhan Research

Asset Quality	Q4FY24	Q3FY25	Q4FY25	y-o-y (bps)	q-o-q (bps)
Gross NPAs (%)	2.50%	3.90%	3.70%	120	-20
Net NPAs (%)	1.50%	2.40%	2.30%	80	-10
PAR - 90 %	2.50%	3.90%	3.70%	120	-20
PAR - 60 %	2.80%	4.90%	4.20%	140	-70
PAR - 30 %	3.20%	5.70%	4.60%	140	-110
PAR - 1 %	3.30%	6.40%	4.90%	160	-150

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Challenges to recede

The microfinance industry has not been performing well over the last couple of quarters due to overleveraging and other issues. To manage challenges, the industry has implemented Guardrail 2.0 from April 2025, besides companies are taking additional efforts for collection mechanism and building strong credit underwriting process. The sector began to show signs of improvement and growth is expected to pick up from H2FY26 due to reforms taken by industry and companies and policy tailwinds. Asset quality is also expected to improve from H2FY26, resulting in lower credit costs, which will drive the profitability. MFIs having strong credit underwriting with redefined collection management and well-capitalised balance sheet with healthy liability franchise are expected to grow faster than others.

■ Company Outlook – Risk-reward favourble

The company is expected to see calibrated AUM growth as it focuses on asst quality. It has also implemented MFI Guardrail 2.0 and tightened the credit underwriting process. Asset quality has been showing signs of improvement, and it would improve further from H2FY26, resulting in lower credit cost in FY26 and FY27 (versus FY25), which would drive the profitability. PAT CAGR is expected at 65.6% over FY25-27, which will drive better RoA/RoE.

■ Valuation

Q4FY25 numbers were weak. However, asset quality has improved and we expect further improvement in it due to calibrated growth, focus on recoveries & collection. Implementation of guardrail 2.0 will put some pressure on growth in FY26. AUM/PPoP/PAT is expected to see 13.5%/27.2%/65.6% CAGR over FY25-FY27 driven by gradual pick up in AUM growth & asset quality improvement with lower credit costs. Hence, RoA/RoE would grow to 3.6% /15.9% in FY27 from 1.69%/7.5% in FY25. Favourable risk-reward and policy tailwinds to limit downside. The stock trades at an attractive valuation at 0.6x/0.5x FY2026/FY2027 BV.

Peer valuation

Particulars	CMP (Rs / Share)	MCAP (Rs Cr)	P/E (x)		P/B (x)		RoE (%)		RoA (%)	
			FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Satin Credit	163	1,803	4.3	3.5	0.6	0.5	3.4	3.6	15	16
L&T Finance	193	48,000	15.9	12.1	1.7	1.6	11.4	13.7	2.3	2.6

Source: Company; Mirae Asset Sharekhan Research

About company

Satin Creditcare Network Limited (SCNL) began its journey in 1990 with a vision to empower small businesses by offering individual loans. The company's bootstrap approach ensured profitability from the start. By 1998, the Reserve Bank of India recognized SCNL as an NBFC, and in 2013, it achieved NBFC-MFI status. The company is poised to evolve as a one-stop, diversified financial services provider catering to the unique needs of rural India. With a presence spanning 29 states and union territories, It reaches some of the most remote regions and marginalized communities. The company focuses on serving areas often overlooked and populations typically deemed unreachable, aligning with its vision to advance financial inclusion and uplift disadvantaged sections of society.

Investment theme

The company is expected to see calibrated AUM growth in FY26 and FY27 as it implemented MFI 2.0, strengthen credit underwriting process and focus on asset quality post facing a high stress in FY25. The sector is showing signs of improvement due to Policy tailwinds (reduction in the repo rate, increase in liquidity and other support) and efforts done by the company. We expect that growth will come back from H2FY26 (moderate growth) and asset quality will see improvement, hence lower credit costs which will drive the profitability in FY26 and FY27.

Key Risks

- Lower AUM growth and asset quality risk.

Additional Data

Key management personnel

Name	Designation
HP Singh	Chairman and MD
Jugal Kataria	Group Controller

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Trishashna Holdings & Investments	34.32
2	FLORINTREE VENTURES LLP	11.14
3	RAJSONIA CONSU SERVI PVT LTD	2.94
4	IDFC Mutual Fund/India	2.68
5	LINKAGE SECURITIES PRIVATE LIMI	2.66
6	BHAWANI FINVEST PVT	2.62
7	INDUSIND BANK LTD	1.98
8	ICICI Prudential Life Insurance Co	1.87
9	Massachusetts Institute of Technol	1.81
10	TRUST TEAM INVESTORS LTD	1.19

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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