

Satin Creditcare Network Ltd. | HOLD



Surge in credit cost results in PAT miss; Downgrade to HOLD

In 2Q25, Satin Creditcare (Satin) reported a miss on PAT at INR 0.45bn (-58% QoQ, -58% YoY vs est. of 0.84bn) on account of a) higher credit cost (4.7% of AUM vs 2.4% QoQ) b) elevated opex (+12% QoQ, +30% YoY) and c) flattish sequential AUM growth (+0.4% QoQ, +16%YoY). NIM for the quarter inched up at 13.7% (vs 13.4% in 1QFY25) as yields improved 86bps QoQ despite increase in CoF of 56bps QoQ. Collection efficiency for H1FY25 stood at 92.2% vs 97.9% for 1QFY25. Mgmt. reduced its growth guidance to 8-10% from 20-25% for FY25 in an attempt to curb asset quality deterioration. While Satin has strengthened its collection efforts (appointed dedicated team of 1,100 employees for collection in dpd buckets) and tightened disbursement norms (stopped NTC disbursement in 561/1463 branches across geographies), its exposure to top 2 states (UP and Bihar) amounts to 42% of on book portfolio. While CE in these two states has held up above 97% till 1H25, we remain watchful of credit cost developments in these states. GNPA increased to 3.5% (vs 2.7% QoQ) while NNPA inched up to 1.4% (vs 1.0% QoQ). Although, Satin's efforts on diversification into secured Housing and MSME lending (~12% of consol. AUM) provide comfort, worsening credit environment in MFI business continues to be a key concern. We adjust our estimates for lower growth and increased credit costs resulting in avg RoA/RoE of 1.8%/8.2% over FY25e/26e and value Satin at 0.7x FY26E P/BV with a revised TP of INR 175. Downgrade to HOLD.

■ **Growth slows down:** In 2Q25, AUM stood at INR 117.5bn (+16% YoY, +0.4% QoQ) as disbursement remained sluggish (+9% YoY, +24% QoQ) with active borrowers in MFI business declining by 0.02mn (vs increase of 0.07mn in 1Q25). On a consolidated basis, active clients of Satin reached to 3.46mn as of 2Q25. Top 2 states (UP and Bihar) contributed 42% of on book portfolio with collection efficiency > 97% as of 1H25. While branch network expanded to 1,463 (+16 branches QoQ), mgmt. reduced growth guidance to 8-10% (from 20-25% before) for FY25 as a measure to maintain asset quality.

■ **Higher credit cost and elevated opex led to miss on PAT:** PAT of INR 0.45bn (-58% QoQ, -58% YoY, est 0.84bn) missed estimates due to elevated opex (+12% QoQ, +30% YoY) and higher credit costs (4.7% of AUM vs 2.4% QoQ). NIM for the quarter improved to 13.7% (vs 13.4% in 1Q25) as yields edged up 86bps QoQ despite increase in CoF of 56bps QoQ. Mgmt attributed slowdown in collections to festive season. Satin reported ROA of 1.63% in 2Q25 vs 4.0% in 1Q25.

■ **Asset quality worsened:** Collection efficiency declined to 92.2% in 1H25 (vs 97.9% for 1Q25) resulting in GNPA/NNPA of 3.5%/1.4% (+76bps/+28bps QoQ) while overall PCR ratio increased to 99.2% (vs 91.4% QoQ). Satin indicated pockets of stress in states of Odisha (6.4% GNPA), Punjab (5.2% GNPA), Rajasthan (6.9%), Jharkhand (6.0% GNPA) and Maharashtra (6.7% GNPA). We build avg credit cost of 4.4% of AUM over FY25e-FY26e.

■ **Valuation and view:** Although, Satin's efforts on diversification into secured Housing and MSME lending (~12% of consol. AUM) provide comfort, worsening credit environment in MFI business continues to be a key concern. We adjust our estimates for lower growth and increased credit costs resulting in avg RoA/RoE of 1.8%/8.2% over FY25e/26e and value Satin at 0.7x FY26E P/BV with a revised TP of INR 175. Downgrade to HOLD.

Financial Summary		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Profit	207	48	4,359	1,998	2,308	
Net Profit (YoY) (%)	-248.0%	-76.7%	8,957.3%	-54.2%	15.5%	
Assets (YoY) (%)	-4.8%	2.5%	33.6%	9.9%	18.3%	
ROA (%)	0.3%	0.1%	4.8%	1.8%	1.8%	
ROE (%)	1.4%	0.3%	21.8%	8.0%	8.5%	
EPS	2.8	0.6	39.6	18.2	21.0	
EPS (YoY) (%)	-231.9%	-79.6%	6,914.5%	-54.2%	15.5%	
P/E (x)	55.5	272.7	3.9	8.5	7.3	
BV	205	188	218	236	257	
BV (YoY) (%)	-8.1%	-8.6%	16.3%	8.3%	8.9%	
P/BV (x)	0.75	0.82	0.71	0.65	0.60	

Source: Company data, JM Financial. Note: Valuations as of 08/Nov/2024

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Recommendation and Price Target

Current Reco.	HOLD
Previous Reco.	BUY
Current Price Target (12M)	175
Upside/(Downside)	13.6%
Previous Price Target	250
Change	-30.0%

Key Data – SATIN IN

Current Market Price	INR154
Market cap (bn)	INR17.0/US\$0.2
Free Float	49%
Shares in issue (mn)	110.0
Diluted share (mn)	
3-mon avg daily val (mn)	INR73.2/US\$0.9
52-week range	284/149
Sensex/Nifty	79,486/24,148
INR/US\$	84.4

Price Performance

%	1M	6M	12M
Absolute	-17.6	-36.9	-41.2
Relative*	-15.6	-42.3	-52.0

* To the BSE Sensex

JM Financial Research is also available on:
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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Satin – 2Q25 Performance Highlights

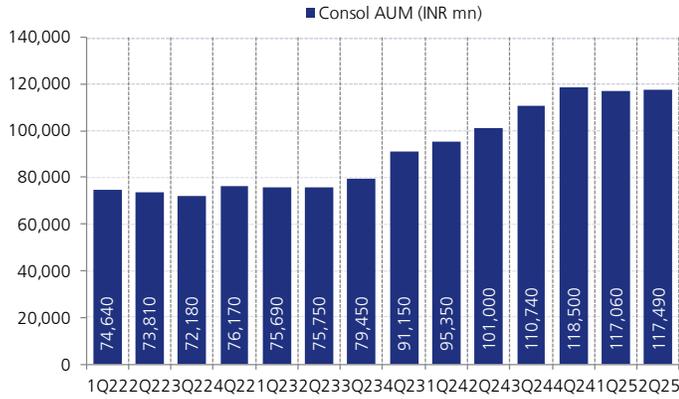
Exhibit 1. Satin 2Q25 : Results summary

Earnings Table (Rs. mn.)	2Q'24	1Q'25	2Q'25	YoY (%)	QoQ (%)
Interest income on Portfolio loans	4,439	5,723	5,768	29.9%	0.8%
Income from Assigned loans	683	472	650	-4.7%	37.9%
NII	2,955	3,684	3,757	27.2%	2.0%
Non-Interest income	263	149	157	-40.4%	5.2%
Total Income	3,218	3,833	3,914	21.6%	2.1%
Employee Cost	1,104	1,249	1,433	29.9%	14.7%
Other Operating Expenses	377	467	491	30.1%	5.1%
Total Operating Expenses	1,481	1,716	1,924	29.9%	12.1%
Operating Profit	1,737	2,118	1,990	14.5%	-6.0%
Total Provisions	306	707	1,374	348.5%	94.2%
PBT	1,431	1,410	616	-57.0%	-56.3%
Tax	363	357	169	-53.5%	-52.8%
PAT (Pre-Extraordinaries)	1,068	1,053	447	-58.1%	-57.5%
Extraordinaries (Net of Tax)	0	0	0	-	-
Reported Profit	1,068	1,053	447	-58.1%	-57.5%
AUM and Balance sheet (Rs. bn.)					
Loans	65,880	80,210	81,090	23.1%	1.1%
Assigned loans O/s	35,120	36,850	36,400	3.6%	-1.2%
AUM	101,000	117,060	117,490	16.3%	0.4%
Disbursements	24,030	21,140	26,190	9.0%	23.9%
Borrowings	72,829	0	83,880	15.2%	-
Total Assets	93,505	0	111,763	19.5%	-
Key Ratios					
Credit Quality					
Gross NPAs (Rs. mn.)	1,581	2,198	2,838	79.5%	29.1%
Net NPAs (Rs. mn.)	615	868	1,104	79.5%	27.2%
Gross NPA (%) on AUM	1.57%	1.88%	2.42%	0.85%	0.54%
Net NPA (%) on AUM	0.61%	0.74%	0.94%	0.33%	0.20%
Coverage Ratio (%)	61.1%	60.5%	61.1%	0.00%	0.60%
Other Ratios					
Cost / Income ratio (%)	46.0%	44.8%	49.2%	3.15%	4.40%
Cost / AUM (%)	6.0%	5.8%	6.6%	0.53%	0.73%
Tax Rate (%)	25.4%	25.3%	27.4%	2.04%	2.08%
Capital Adequacy					
CAR (%)	25.70%	27.90%	28.80%	3.10%	0.9%
Du-pont Analysis					
NII / Aum (%)	12.04%	12.51%	12.81%	0.78%	0.30%
Non-Interest Inc. / Aum (%)	1.07%	0.51%	0.54%	-0.54%	0.03%
Operating Cost / Aum (%)	6.03%	5.83%	6.56%	0.53%	0.73%
Operating Profits / Aum (%)	7.08%	7.19%	6.79%	-0.29%	-0.40%
Provisions / Aum (%)	1.25%	2.40%	4.69%	3.44%	2.28%
RoAUM (%)	4.35%	3.58%	1.52%	-2.83%	-2.05%

Source: Company, JM Financial

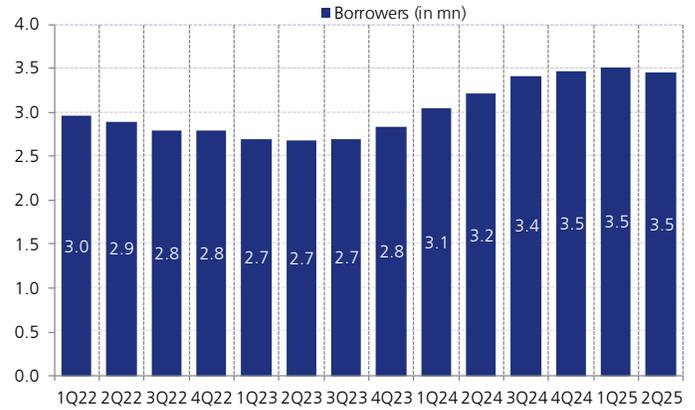
Quarterly Trends

Exhibit 2. Satin: Trends in AUM



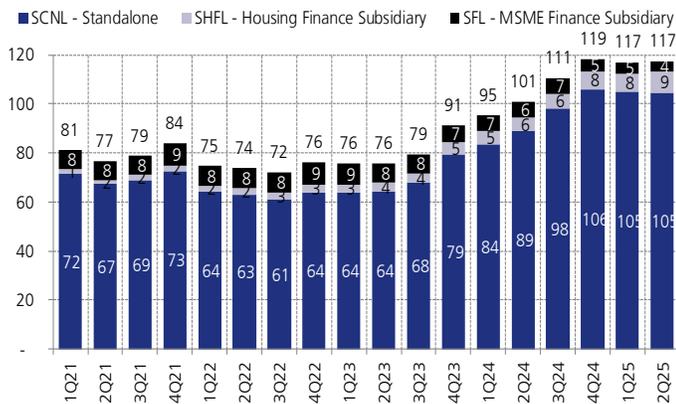
Source: Company, JM Financial

Exhibit 3. Satin: Trends in borrower base



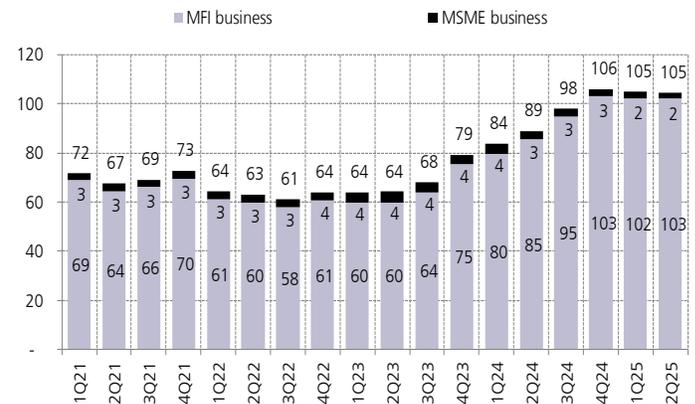
Source: Company, JM Financial

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



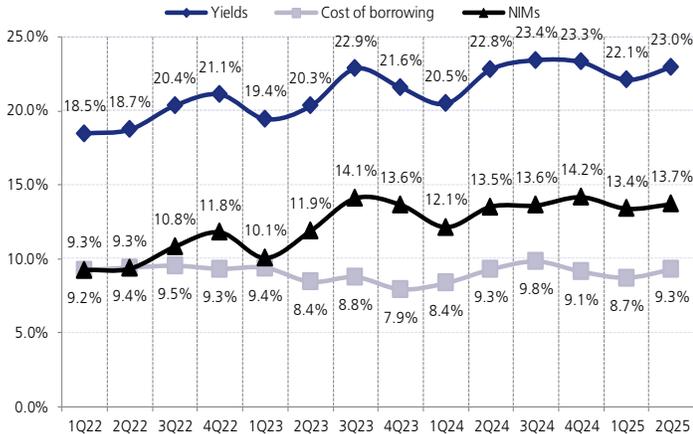
Source: Company, JM Financial; SFL includes JLG BC portfolio of TSFL which is being run down

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



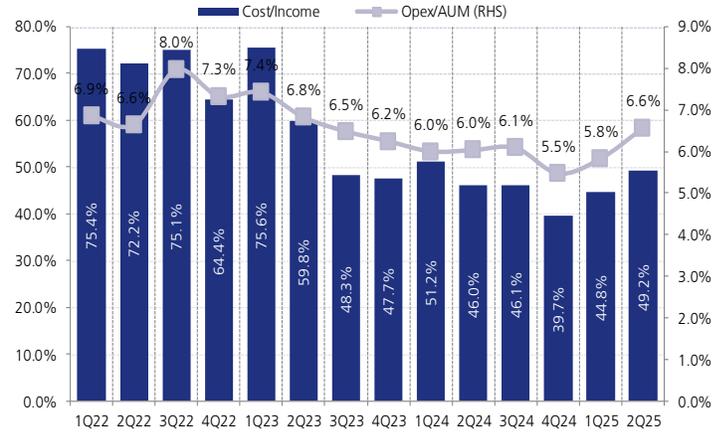
Source: Company, JM Financial

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



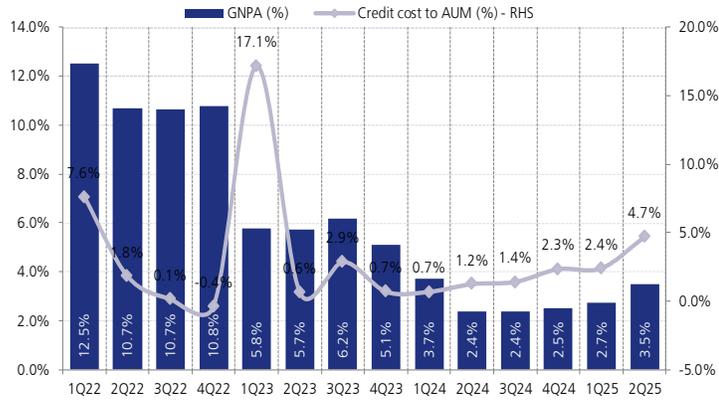
Source: Company, JM Financial

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

Financial Tables (Consolidated)

Income Statement					
	(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Interest Income (NII)	6,487	8,479	12,536	15,024	17,013
Non Interest Income	1,017	943	859	825	1,033
Total Income	7,504	9,423	13,395	15,849	18,046
Operating Expenses	5,355	5,290	6,058	7,659	8,902
Pre-provisioning Profits	2,149	4,133	7,337	8,190	9,144
Loan-Loss Provisions	1,807	4,081	1,508	5,519	6,059
Others Provisions	0	0	0	0	0
Total Provisions	1,807	4,081	1,508	5,519	6,059
PBT	342	52	5,829	2,672	3,085
Tax	135	4	1,469	673	777
PAT (Pre-Extra ordinaries)	207	48	4,359	1,998	2,308
Extra ordinaries (Net of Tax)	0	0	0	0	0
Reported Profits	207	48	4,359	1,998	2,308
Dividend	0	0	0	0	0
Retained Profits	207	48	4,359	1,998	2,308

Source: Company, JM Financial

Balance Sheet					
	(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Equity Capital	746	852	1,100	1,100	1,100
Reserves & Surplus	14,573	15,141	22,908	24,907	27,214
Stock option outstanding	0	0	0	0	0
Borrowed Funds	57,435	59,112	79,149	84,690	1,02,475
Deferred tax liabilities	0	0	0	0	0
Preference Shares	0	0	0	0	0
Current Liabilities & Provisions	3,799	3,390	1,742	4,612	5,592
Total Liabilities	76,553	78,496	1,04,900	1,15,309	1,36,381
Net Advances	53,084	63,289	89,081	97,263	1,17,487
Investments	486	618	565	617	745
Cash & Bank Balances	20,019	11,144	12,711	13,617	14,098
Loans and Advances	0	0	0	0	0
Other Current Assets	825	838	1,126	2,288	2,336
Fixed Assets	1,260	1,290	1,326	1,424	1,596
Miscellaneous Expenditure	0	0	0	0	0
Deferred Tax Assets	878	1,319	91	100	118
Total Assets	76,553	78,496	1,04,900	1,15,309	1,36,381

Source: Company, JM Financial

Key Ratios					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Growth (YoY) (%)					
Borrowed funds	-7.1%	2.9%	33.9%	7.0%	21.0%
Advances	-8.7%	19.2%	40.8%	9.2%	20.8%
Total Assets	-4.8%	2.5%	33.6%	9.9%	18.3%
NII	1.2%	30.7%	47.8%	19.8%	13.2%
Non-interest Income	7.2%	-7.3%	-8.9%	-3.9%	25.2%
Operating Expenses	14.7%	-1.2%	14.5%	26.4%	16.2%
Operating Profits	-20.2%	92.3%	77.5%	11.6%	11.6%
Core Operating profit	-15.3%	62.7%	133.9%	15.2%	-29.2%
Provisions	-35.2%	125.8%	-63.0%	266.0%	9.8%
Reported PAT	-248.0%	-76.7%	8,957.3%	-54.2%	15.5%
Yields / Margins (%)					
Interest Spread	6.37%	9.19%	11.31%	11.03%	10.99%
NIM	8.58%	11.41%	14.13%	14.05%	13.95%
Profitability (%)					
ROA	0.26%	0.06%	4.75%	1.82%	1.83%
ROE	1.4%	0.3%	21.8%	8.0%	8.5%
Cost to Income	71.4%	56.1%	45.2%	48.3%	49.3%
Asset quality (%)					
Gross NPA	8.13%	3.17%	2.63%	7.60%	6.27%
LLP	2.26%	4.88%	1.44%	4.45%	4.24%
Capital Adequacy (%)					
Tier I	23.25%	25.34%	26.25%	25.85%	23.97%
CAR	27.84%	26.62%	27.66%	27.24%	25.24%

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
NII / Assets	8.26%	10.94%	13.67%	13.65%	13.52%
Other Income / Assets	1.30%	1.22%	0.94%	0.75%	0.82%
Total Income / Assets	9.56%	12.15%	14.61%	14.39%	14.34%
Cost / Assets	6.82%	6.82%	6.61%	6.96%	7.07%
PPP / Assets	2.74%	5.33%	8.00%	7.44%	7.27%
Provisions / Assets	2.30%	5.26%	1.64%	5.01%	4.81%
PBT / Assets	0.44%	0.07%	6.36%	2.43%	2.45%
Tax rate	39.4%	8.2%	25.2%	25.2%	25.2%
ROA	0.26%	0.06%	4.75%	1.82%	1.83%
Leverage	5.0	4.9	4.4	4.4	4.8
ROE	1.4%	0.3%	21.8%	8.0%	8.5%

Source: Company, JM Financial

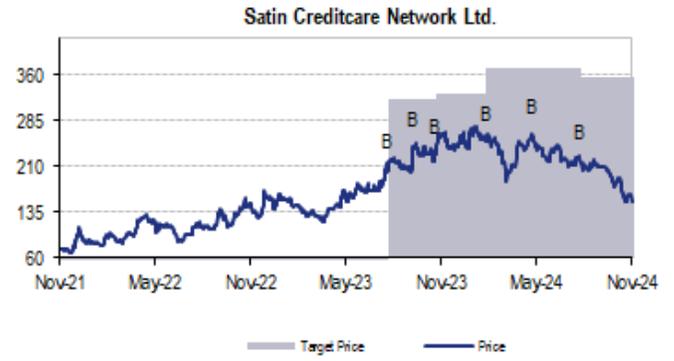
Valuations					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Shares in Issue	74.6	85.2	110.0	110.0	110.0
EPS (INR)	2.8	0.6	39.6	18.2	21.0
EPS (YoY) (%)	-231.9%	-79.6%	6,914.5%	-54.2%	15.5%
P/E (x)	55.5	272.7	3.9	8.5	7.3
BV (INR)	205	188	218	236	257
BV (YoY) (%)	-8.1%	-8.6%	16.3%	8.3%	8.9%
P/BV (x)	0.75	0.82	0.71	0.65	0.60
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

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

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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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