May 2024

Initiating Coverage | Sector: NBFC

Five-Star Business Finance

Enabling small; Growing big!

Abhijit Tibrewal - Research Analyst (Abhijit.Tibrewal@MotilalOswal.com)

Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com) | **Gautam Rawtani** (Gautam.Rawtani@MotilalOswal.com)

Five-Star Business Finance

Enabling small; Growing big!

- Five-Star Business Finance (FIVESTAR) is a Non-Banking Financial Company (NBFC) that provides small business loans (SBL) predominantly to micro-entrepreneurs, self-employed individuals, or informal salaried individuals for working capital, asset creation, or personal expense purposes.
- These loans are secured against collateral, typically a self-occupied residential property (SORP). FIVESTAR has delivered an AUM CAGR of ~25% over FY20-FY24, with an AUM of ~INR96.4b as of Mar'24. FIVESTAR's key states are Andhra Pradesh, Telangana, Tamil Nadu, and Karnataka, which together contribute ~94% of the AUM. The company has 520 branches spread across 10 states and UT.
- We initiate coverage on the stock with a BUY rating and a TP of INR950 (based on 3.7x FY26E P/BV). Key downside risks include concentration in southern India, rising competitive intensity resulting in loss of pricing power, and further seasoning of the portfolio leading to asset quality deterioration and higher credit costs.

Five-Star Business Finance

BSE Sensex	S&P CNX
72,664	22,055

CMP: INR729 **TP: INR950 (+30%)** **Buy**

Stock Info

Bloomberg	FIVESTAR IN
Equity Shares (m)	292.4
M.Cap.(INRb)/(USDb)	214.1 / 2.6
52-Week Range (INR)	877 / 519
1, 6, 12 Rel. Per (%)	4/-21/15
12M Avg Val (INR M)	515
Free float (%)	73.5

Financial Snapshot (INR b)

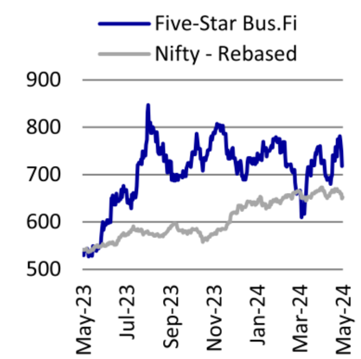
Y/E March	FY24	FY25E	FY26E
NII	16.5	20.9	25.9
PPoP	11.7	14.7	18.0
PAT	8.4	10.3	12.7
EPS (INR)	29	35	43
EPS Gr. (%)	38	23	23
BVPS (INR)	178	213	255
Ratios (%)			
NIM	19.9	18.7	17.9
C/I ratio	32.2	33.0	34.0
Credit cost	0.7	0.9	0.8
RoA	8.2	7.6	7.2
RoE	17.5	18.0	18.5
Div. Payout	0.0	2.8	4.6
Valuations			
P/E (x)	25.5	20.7	16.8
P/BV (x)	4.1	3.4	2.9
Div. yield (%)	0.0	0.1	0.3

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	26.5	26.5	34.9
DII	7.0	7.8	5.0
FII	56.1	54.3	7.0
Others	10.5	11.4	53.1

FII Includes depository receipts

Stock Performance (1-year)



Enabling small; Growing big!

Untapped opportunity with benign competition to aid >30% AUM CAGR

Five-Star Business Finance (FIVESTAR) is a Non-Banking Financial Company (NBFC) that provides small business loans (SBL) predominantly to micro-entrepreneurs, self-employed individuals, or informal salaried individuals for working capital, asset creation, or personal expense purposes. These loans are secured against collateral, typically a self-occupied residential property (SORP). FIVESTAR has delivered an AUM CAGR of ~25% over FY20-FY24, with an AUM of ~INR96.4b as of Mar'24. FIVESTAR's key states are Andhra Pradesh, Telangana, Tamil Nadu, and Karnataka, which together contribute ~94% of the AUM. The company has 520 branches spread across 10 states and UT.

- **Huge untapped potential in the small-ticket secured business loans:** Industry reports estimate the total addressable market (TAM) at ~INR104t in MSME lending. Within this, the potential market for Secured MSME Loans (against SORP) with ticket sizes of <INR500K (the addressable segment) is ~INR22t. The addressed market size is ~INR372b as of Sep'23, which suggests that FIVESTAR has a market share of ~20% and can continue to gain market share over the medium term through deeper penetration, branch expansions, and improvement in productivity.
- **Pricing power aiding healthy NIM and spreads:** The company's focus on unbanked customers and benign competition in the <INR500K ticket-size segment allow it to maintain high yields of ~24%. Combined with a strengthening liability franchise, we expect its spreads and NIM to sustain above ~15% and ~18%, respectively, over FY25-26.
- **Underwriting strength with deep distribution:** FIVESTAR has a proprietary credit model that it has refined over the last few decades. Its meticulous customer selection and deep understanding of customer behavior, coupled with an emphasis on high customer equity (via a lower LTV of ~40%) have helped it maintain robust asset quality through cycles, with average credit costs of ~90bp over FY20-FY24. Scalability in this segment relies heavily on distribution capabilities, and FIVESTAR has doubled its distribution by adding ~260 branches over the last three years.
- **High growth and profitability to help sustain valuation premium:** The company has developed strengths and capabilities in its business model, which are difficult for peers to replicate. We anticipate that the company will maintain its best-in-class growth and profitability, with an estimated AUM/PAT CAGR of ~31%/~23% over FY24-26. FIVESTAR is expected to command premium valuations relative to its NBFC/HFC peers due to its ability to deliver strong RoA/RoE of 7.2%/18.5% by FY26E.
- **We initiate coverage on the stock with a BUY rating and a TP of INR950 (based on 3.7x FY26E P/BV). Key downside risks** include concentration in southern India, rising competitive intensity resulting in loss of pricing power, and further seasoning of the portfolio leading to asset quality deterioration and higher credit costs.

Strong distribution and productivity benefits to aid robust AUM growth

- FIVESTAR has doubled its branch distribution over the last three years to ~520 branches and now has ~86% of its branches located in Tier 4-6 cities. Its growth levers will include expanded distribution, inflationary growth in average ticket size, which we project to increase to INR400k by FY26 from INR350k, and proximity to the customer through an increasing number of relationship officers (alias, the Feet on Street).
- Productivity benefits will emerge as the newer branches mature and gain vintage. We model a robust AUM CAGR of ~31% over FY24-26.

Target customer and benign competition generate pricing power

- The company provides loans to target customers who do not possess formal income documents. FIVESTAR has an on-ground presence for conducting physical verifications and credit appraisals based on informal income.
- Ticket sizes of <INR500K do not interest large banks, leaving the underserved customers for select specialized NBFCs like FIVESTAR. Benign competition gives the company a pricing power to sustain yields at ~24%. The liability franchise continues to improve with a focus on long-term liabilities. We expect NIM to moderate (with financial leverage) but remain healthy at 18-19% over FY25/26.

Process intensive, but operating leverage will come into play

- The company has a fully in-house business model for sourcing, underwriting, and collections, incorporating a maker-checker system to prevent oversight and collusion. Processes are operationally intensive with a high level of interaction and a significant portion of cash collections at ~53% in FY24 (vs. ~70% in FY20). It continues to make efforts to improve the proportion of non-cash collections.
- TAT has declined to ~10 days in FY24 from ~17 days in FY22, thanks to investments in technology and improvement in productivity. TAT is expected to further decline to 8-9 days in a steady state. We expect scale benefits and improvements in employee productivity to result in opex-to-average AUM declining to 6.3% by FY26E from 6.7% in FY24.

Focus on collections keeps NPAs under control; credit costs to remain <1%

- Despite the unavailability of SARFAESI, FIVESTAR's focus on identifying 'suitable' collateral, enhanced by conservative LTV ratios, family members as co-applicants, and a strong on-ground collections infrastructure, has kept its 90+ dpd consistently low despite relatively higher soft delinquencies.
- Through a combination of legal notices and arbitration, the company has historically managed to settle its NPAs with <2% IRR loss. We expect the portfolio to season, and Stage 3 to increase but stabilize at <2% in a steady state with credit costs of <1%.

Sustained profitable growth to attract premium valuations; Initiate with BUY

- The company operates in the micro-LAP (backed by SORP) segment, where its business model has been enhanced for over two decades to deliver a combination of healthy loan growth and strong profitability. Deep understanding of customer behavior, along with regional dynamics in semi-urban and fast-growing rural areas, position FIVESTAR well to remain dominant in this product segment.
- The stock currently trades at 2.9x FY26E P/BV. We believe that FIVESTAR's premium valuations will sustain in the medium term based on its niche market position, strong growth potential, superior underwriting practices, resilient asset quality, and high return metrics. We estimate a PAT CAGR of ~23% over FY24-FY26 for an RoA/RoE of 7.2%/18.5% in FY26. We initiate coverage on the stock with a BUY rating and a TP of INR950 (based on 3.7x FY26E P/BV).

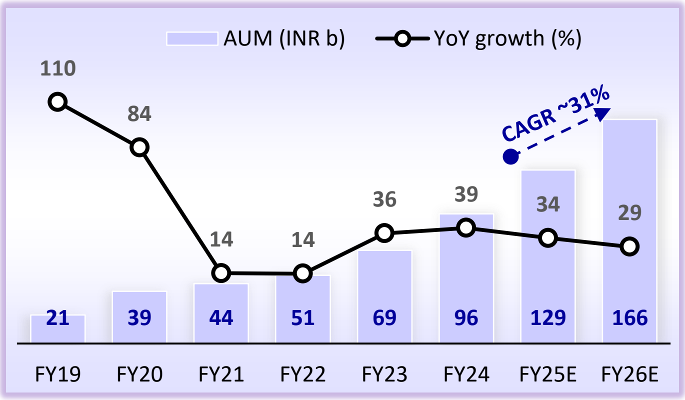
Valuation summary

Val summary	Rating	CMP (INR)	MCap (INR b)	EPS (INR)		BV (INR)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)	
				FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
MSME															
FIVESTAR	**Buy**	**729**	**213**	**35.2**	**43.3**	**213**	**255**	**7.6**	**7.2**	**18.0**	**18.5**	**20.7**	**16.8**	**3.4**	**2.9**
Housing Finance															
LIC HF	Buy	627	341	87.3	94.1	621	688	1.6	1.6	14.8	14.4	7.2	6.7	1.0	0.9
PNB HF	Buy	740	196	71.3	87.7	648	724	2.3	2.4	11.7	12.8	10.4	8.4	1.1	1.0
Aavas	Neutral	1,600	122	76.0	95.3	553	648	3.3	3.4	14.8	15.9	21.1	16.8	2.9	2.5
HomeFirst	Buy	820	75	41.4	51.6	277	323	3.4	3.4	16.0	17.2	19.8	15.9	3.0	2.5
CanFin	Neutral	736	96	64.3	73.3	385	452	2.2	2.1	18.1	17.5	11.4	10.0	1.9	1.6
Repco	Neutral	482	30	65.9	71.8	524	592	2.9	2.8	13.4	12.9	7.3	6.7	0.9	0.8
Vehicle Finance															
Cholamandalam	Buy	1,269	1,005	56.3	72.0	286	373	2.6	2.7	21.7	22.0	22.6	17.6	4.4	3.4
MMFS	Buy	250	312	22.5	27.9	156	176	2.2	2.4	15.2	16.8	11.1	9.0	1.6	1.4
Shriram Finance	Buy	2,346	886	224.6	275.9	1,472	1,693	3.3	3.3	16.2	17.4	10.4	8.5	1.6	1.4
Indostar	Buy	227	28	13.2	21.1	251	272	1.4	1.9	5.4	8.1	17.2	10.8	0.9	0.8
Gold Finance															
Muthoot	Neutral	1,664	642	115.8	132.1	695	801	5.1	5.3	17.8	17.7	14.4	12.6	2.4	2.1
Manappuram	Buy	175	140	30.0	35.7	163	194	5.0	4.9	20.0	20.0	5.8	4.9	1.1	0.9
Diversified															
BAF	Neutral	6,685	4,082	283.0	364.5	1,499	1,815	4.2	4.3	20.7	22.0	23.6	18.3	4.5	3.7
Poonawalla	Buy	463	348	18.8	25.6	122	142	4.9	4.9	16.5	19.4	24.7	18.1	3.8	3.3
ABCL	Buy	216	544	13.6	17.1	109	125	-	-	13.2	14.7	15.9	12.6	2.0	1.7
LTFH	Buy	155	388	11.7	15.6	103	116	2.5	2.7	11.9	14.2	13.2	9.9	1.5	1.3
PIEL	Neutral	848	195	30.9	65.8	1,203	1,256	0.8	1.5	2.6	5.3	27.4	12.9	0.7	0.7
MAS Financial	Buy	288	48	19.7	24.4	123	145	3.1	3.0	17.3	18.3	14.7	11.8	2.3	2.0
IIFL Finance	Buy	400	143	54.6	68.1	327	390	3.5	3.6	18.1	19.0	7.3	5.9	1.2	1.0
Microfinance															
CreditAccess	Buy	1,415	224	105.7	129.7	508	638	5.3	5.3	23.0	22.6	13.4	10.9	2.8	2.2
Fusion Micro	Buy	474	47	66.3	82.8	349	432	5.1	5.3	21.0	21.2	7.2	5.7	1.4	1.1
Spandana	Buy	781	56	92.5	112.8	604	716	4.4	4.4	16.6	17.1	8.4	6.9	1.3	1.1

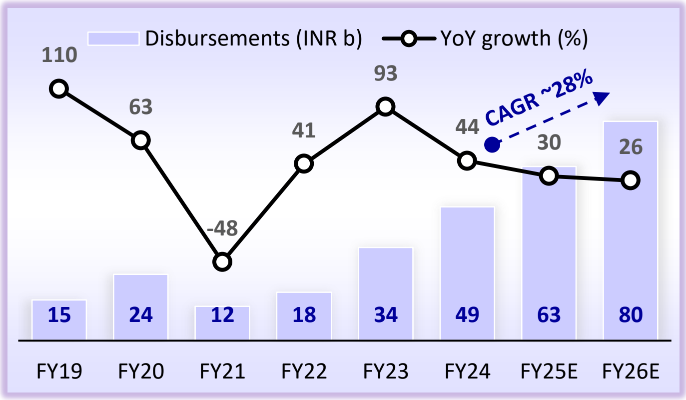
Source: MOFSL, Company

STORY IN CHARTS

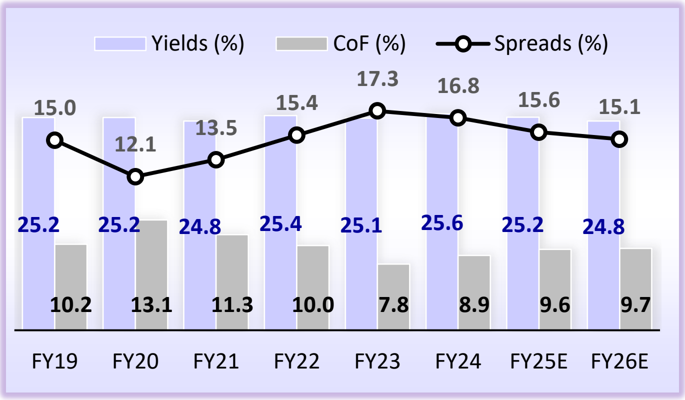
Expect ~31% AUM CAGR over FY24-FY26



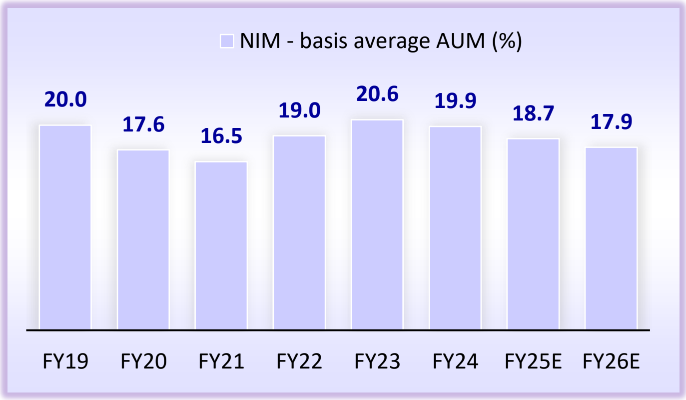
Disbursements CAGR at ~28% over FY24-FY26E



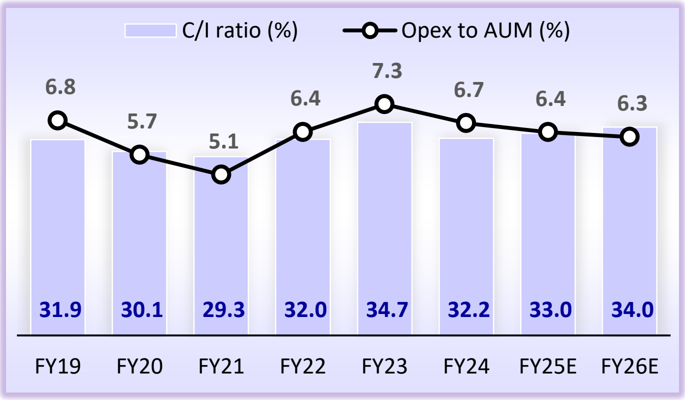
Estimate spreads to decline over FY25-FY26



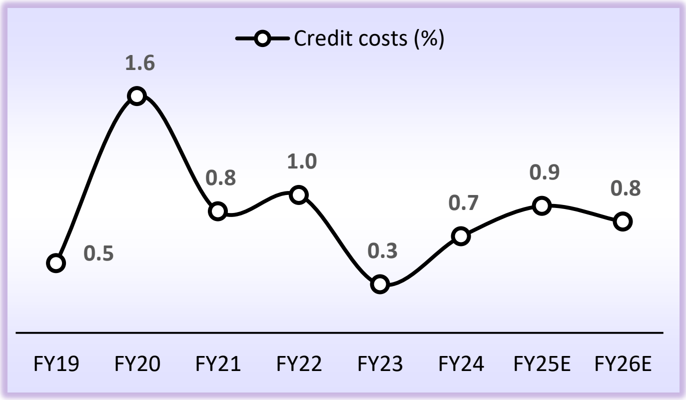
NIM is likely to contract to ~18% in FY26



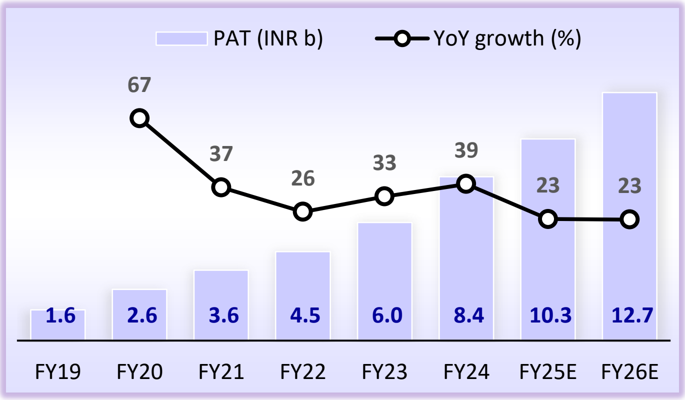
Operating leverage to drive the decline in cost ratios



Credit costs to gradually inch-up to 80-90bp in FY25-26E

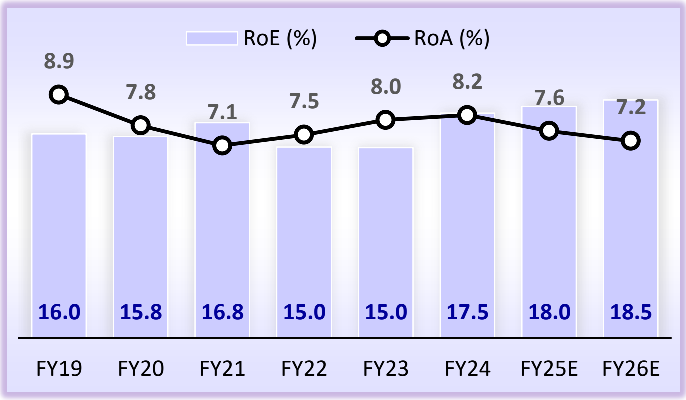


Estimate a PAT CAGR of ~23% over FY24-FY26



Source: Company, MOFSL

Model RoA/RoE of 7.2%/18.5% in FY26

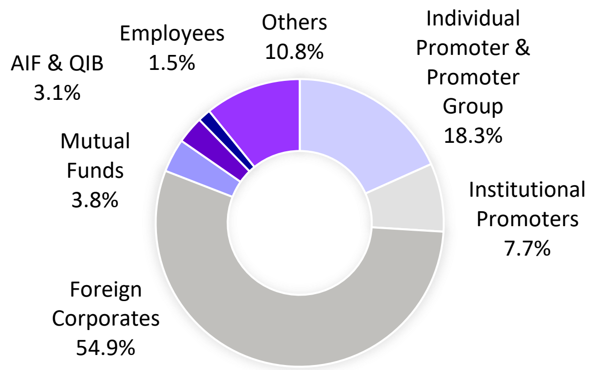


Source: Company, MOFSL

Company overview

- FIVESTAR was established in 1984 in Chennai. It provides secured business loans to underserved micro-entrepreneurs and self-employed individuals. The company targets borrowers who derive income from 'everyday' cash-and-carry businesses.
- FIVESTAR is promoted by Mr. Lakshmipathy Deenadayalan who is the Chairman & MD of the company. Mr. Lakshmipathy and his family have a stake of ~18.7% as of Mar'24. The company is backed by large institutional investors, viz., Sequoia Financial Group, TPG Capital, Norwest Venture Partners, Matrix Partners, and KKR.
- As of Mar'24, the company had 520 branches, of which ~83% are located in southern India. FIVESTAR's AUM reported a CAGR of ~25% over FY20-FY24 and stood at ~INR96b as of Mar'24. Southern India contributed ~94% of the total AUM of the company.

Exhibit 1: Shareholding pattern (%)



Source: Company, MOFSL

Note: Data as on Mar'24; based on diluted number of shares

Exhibit 2: Top 10 institutional investors

Investor	%
Sequoia	13.5
TPG	11.2
KKR	6.0
Norwest	5.2
Fidelity	4.5
Capital group	3.0
HDFC Asset Management	2.9
Norges Bank	1.9
Goldman Sachs	1.6
Matrix Partners	1.6

Source: Company, MOFSL;

Note: Based on shares outstanding as on Mar'24

Exhibit 3: Key business parameters

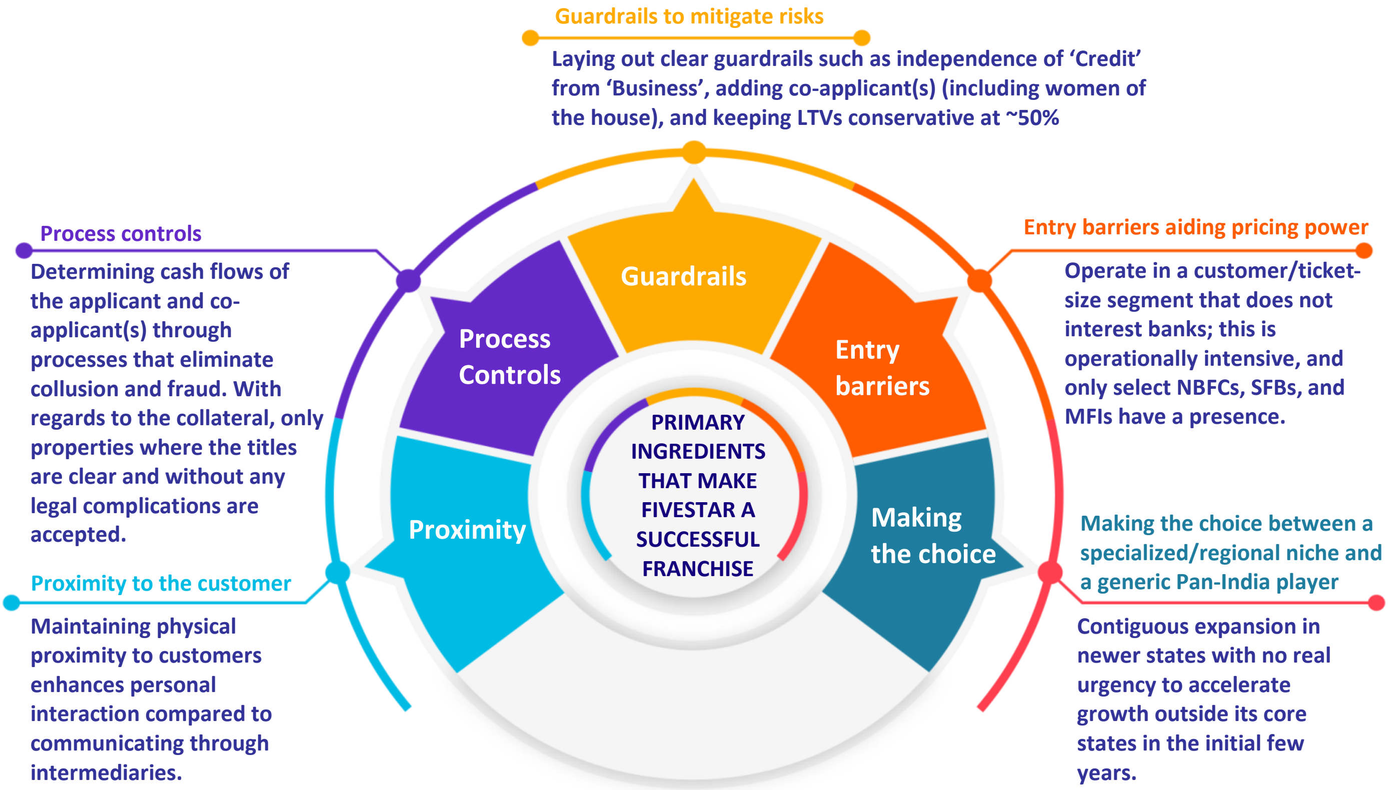
AUM (INR b)	CRAR	GNPA/NNPA	Branches/ State
96.4	50.5%	1.4%/0.63%	520/10
Yields	**NIM (FY24)**	**Interest spread (FY24)**	**RoA/RoE (FY24)**
24.3%	17.4%	14.6%	8.4%/17.6%

Source: MOFSL, Company; Note: Data as of FY24 and States also include 2 UTs

Ingredients that lead to successful lending at FIVESTAR

FIVESTAR is a mono-line lender and has a presence in a business segment where the delinquencies are typically high. Its target customer segment is subject to unstable cash flows (since their businesses can be vulnerable to the vagaries of the economy) and the customers reside primarily in Tier 3-6 cities.

Primary ingredients that make Five Star a successful franchise



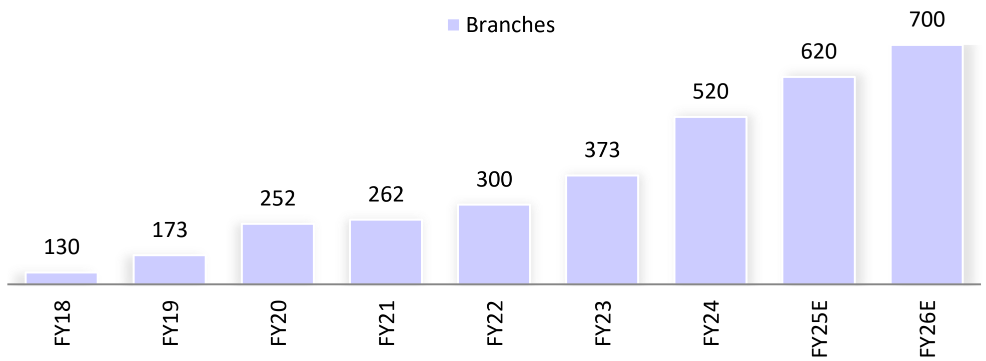
Source: Company, MOFSL

We will now delve deeper into the finer nuances of each of these ingredients of successful lending.

Proximity to the customer

FIVESTAR has ~530 branches spanning across 10 states and UT. The majority (83%) of its branch network is concentrated in the southern States of Andhra Pradesh, Telangana, Tamil Nadu, and Karnataka.

Exhibit 4: Expect FIVESTAR to expand to ~700 branches by Mar'26E



Source: Company, MOFSL

The company has a 100% in-house sourcing model with no dependence on intermediaries and DSAs. The Feet on Street (FOS) of the branch goes from door to door, sets up stalls in local markets, and distributes pamphlets. In addition, there are repeat customers as well as walk-ins at the branch.

Under this business model, both sourcing and collections are undertaken by the same team of Relationship Officers (ROs) of the branch. This helps the company maintain tight control over sourcing and collection processes. It also helps the company stay in close touch with the customers, resulting in lower BT-OUTs (despite no foreclosure penalties after 12 months of loan disbursement).

Who is a typical Five Star customer?

Very often, a potential customer of Five Star has other loans, such as MFI, two-wheeler, or consumer durable loans, taken from formal institutions where the ticket sizes are below INR80K. However, for all bigger-ticket loans (such as working capital, home renovation, education, marriage, et al.), this customer approaches the local money lenders who charge usurious interest rates. This is where Five Star steps in and offers a higher-ticket loan, with a longer tenor of typically seven years, after evaluating the character (KYC documents, reference checks from the neighborhood, fraud detection tools, etc.), collateral (mostly SORP), and cash flows of both the applicant and the co-applicant(s).

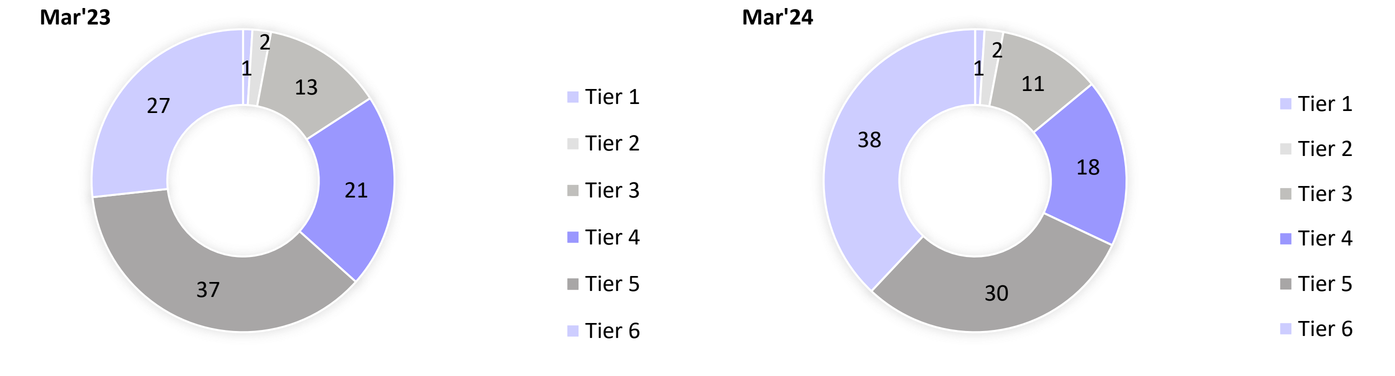
Exhibit 5: Various challenges in lending to small business owners and self-employed individuals

Institutionalized Lenders – Key Underwriting Parameters	Medium Enterprises	Small Enterprises	Small Business Owners and Self-Employed Customers
Verifiable income stream	❖ Assessed from formal contracts since they are predominantly B2B clients	❖ Typically assessed from VAT, sales tax, and service tax records	❖ Mainly backed by informal/kaccha documents, daily noting
Formal documentation	❖ Formal & structured– records of IT returns available	❖ Semi-formal – Have banking habits to the extent of business transactions	❖ Highly Informal – Have minimal banking habits
Extent of 'on the ground presence' required	❖ Presence of formal, verifiable documents reduces requirement	❖ Moderate level of physical verification required	❖ Ability to conduct physical verifications is essential
Credit history	❖ Well documented	❖ Moderate level of documentation	❖ Nil or negligible credit history for medium-/ high-ticket loans
Credit discipline	❖ Low variance – usually high discipline	❖ Moderate variance –high discipline on an average	❖ High variance with both high & low credit discipline observable
Ability to offer collateral	❖ Significant business assets to offer as collateral	❖ Moderate ability to offer business collateral	❖ Negligible business collateral – ability to offer personal collateral varies
Assessment of collateral	❖ Simple to assess with supporting documentation	❖ Moderate – with some supporting documents available	❖ Complex with ability to carry out ecosystem checks required

Source: Company Presentation

FIVESTAR lends to customers who are conducting everyday cash and carry businesses since they are more resilient to business cycles and macro events. This customer has family cash flows between INR25k and INR40k per month and can offer collateral with a value of ~INR1m (including both land and building).

Exhibit 6: Over the last one year, FIVESTAR has penetrated deeper into Tier 6 cities



Source: Company, MOFSL; Note: Data as of Mar'23 Source: Company, MOFSL; Note: Data as of Mar'24

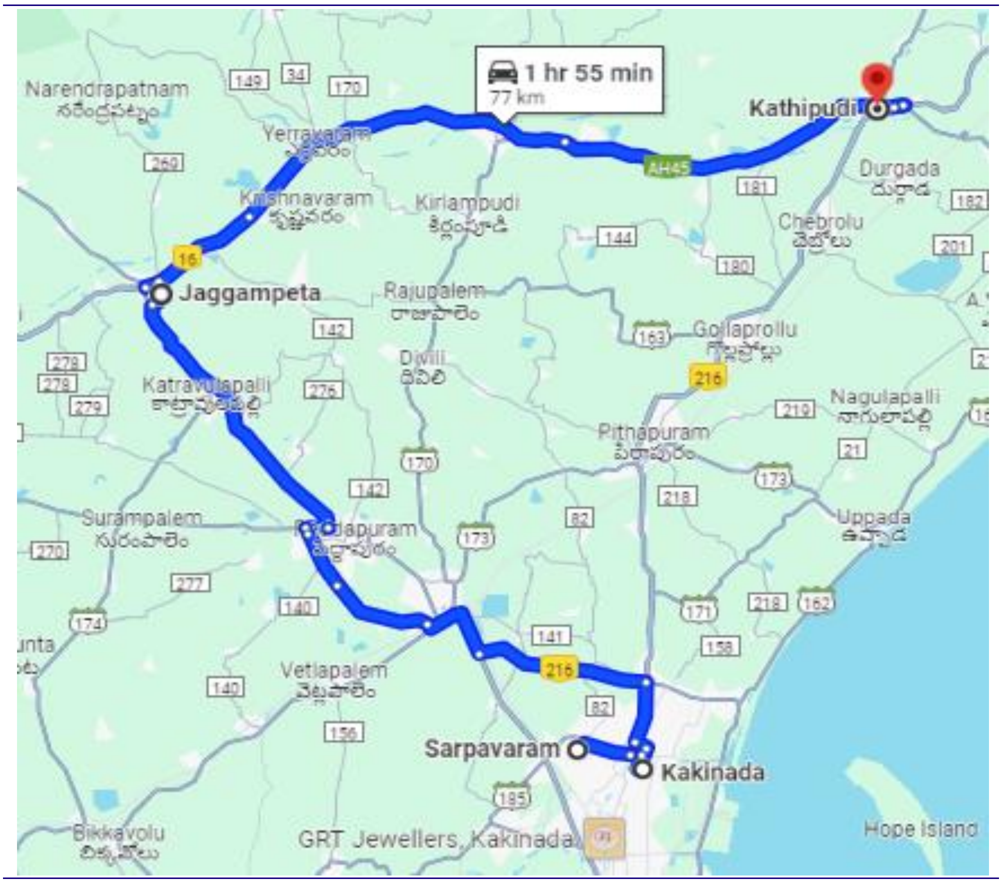
Cluster-based branch expansions

The company follows a cluster-based approach and splits a large branch (usually about 500-1,000 accounts) into two smaller branches in close proximity to each other. This cluster-based approach is taken if there is a strategic rationale to open new branches in the region/cluster to take advantage of the business opportunity.

Following the cluster-based approach, the company transfers a set of accounts from the existing large branch to the newer branches that are opened.

Illustration of the cluster-based approach – the Kakinada Cluster (Andhra Pradesh)

Exhibit 7: Cluster-based approach – the Kakinada Cluster



Source: Company, MOFSL;

PARENT BRANCH
Kakinada
(Opened in Jul'16)

CHILD BRANCH
Jaggampeta
(Opened in Oct'20)

CHILD BRANCH
Kathipudi
(Opened in Jan'22)

CHILD BRANCH
Sarpavaram
(Opened in Sep'22)

Date	Kakinada	Jaggampeta	Kathipudi	Sarpavaram	Kakinada Cluster
Jul'16	-	-	-	-	-
Oct'20	1,621	-	-	-	1,621
Oct'20 (post-transfer to Jaggampeta)	1,281	340	-	-	1,621
Jan'22	1,665	606	-	-	2,271
Jan'22 (post-transfer to Kathipudi)	1,497	606	168	-	2,271
Sep'22	2,068	931	171	-	3,170
Sep'22 (post-transfer to Sarpavaram)	1,544	931	171	524	3,170
Dec'23 (Accounts)	**2,119**	**1,674**	**855**	**830**	**5,478**
Dec'23 (Portfolio in INR m)	**595**	**430**	**253**	**231**	**1,509**

The standalone Kakinada branch has only 2,119 accounts with a portfolio of INR595m. However, the Kakinada Cluster has grown to 5,478 accounts with a total portfolio of ~INR1.5b.

This has the following advantages: 1) customers who stay closer to the newer branch (opened in proximity to the bigger branch) start getting serviced from the new branch; 2) it reduces the concentration risk in larger branches; and 3) it frees up bandwidth for the larger branch to focus on business generation, while the newer branches contribute to cluster growth.

We expect the company to add 80-100 branches every year over the next 2-3 years. Out of the branches added every year, two-thirds will be new branches (selected on the basis of business potential, geography, and other criteria), while one-third will be split branches based on the cluster strategy.

Process controls

It is very important to have processes in place that can identify fraudulent customers who might give an incorrect representation of their cash flows and/or offer collateral where the title of the property is not clear, and there are other legal complications. While it is important to have safeguards against customer frauds, it is equally important to have processes that can safeguard against employee frauds and prevent collusion.

Sourcing

Five Star leverages a maker-checker process for sourcing and logging in customer leads into the system.

- The RO has to carry out a basic pre-assessment to evaluate if the lead qualifies to be entered into the system. At this stage, the RO does a basic verification of the customer's residence and business. **This is to rule out applicants whose businesses are seasonal or speculative.**

- The RO subsequently performs a detailed assessment of the applicant's (and co-applicant(s)') business to establish the income and cash flows. The RO also visits the residence of the customer to carry out background verification and reference checks on the customer. This constitutes the maker stage.
- The Branch Manager (BM) also conducts physical visits to both the business and residence of the customer. The BM independently verifies the property and the income levels of the applicant. The BM evaluates the property and arrives at a valuation of the property that is lower of: a) the market value of the property, and b) the distressed value of the property.

Exhibit 8: Sourcing is done by the RO (maker) and it has to be approved by the BM (checker)

PRE-LOGIN ASSESSMENT (RO)	RO'S INSPECTION (MAKER STAGE)	BM'S INSPECTION (CHECKER STAGE)
❖ Basic verification of the applicants' business and residence done to evaluate if the lead will pass the muster/criteria for sanction ❖ Seasonal and speculative business are rejected at this stage itself ❖ Basic background checks and preliminary assessment done ❖ If RM is satisfied, the lead is recorded in the system and a file reference number is created ❖ Five Star collects a login fee of INR2K at this Stage	❖ RO visits the business to perform a detailed assessment of the applicant's (and co-applicant(s)') business to establish the income and cash flows. ❖ The RO also visits the residence of the customer to carry out background verification and reference checks on the customer	❖ Character, Collateral and Cash-flow (the 3C's) are verified at this stage ❖ BM visits the applicants' business to verify the income and cash-flows of the applicant and co-applicants ❖ The collateral (property) is measured in accordance with the property document ❖ Indicative valuation of the collateral is arrived, which is lower of: a) the market value and b) BM's assessment of distressed value ❖ Character check (including through reference and neighborhood checks) is done on the applicant and the co-applicant ❖ If BM approves, an independent inspection report is created

Source: MOFSL, Company

Underwriting

For underwriting, the company leverages a two-tiered architecture:

Field Credit team: This team performs an independent verification of the property, including its documents, measurements, and valuation. The Field Credit team is also responsible for verifying the income and cash flows of the applicant and co-applicant(s). The team then submits an independent verification report to the system.

In parallel, the company also triggers a legal opinion on the property, where an externally empaneled legal vendor/lawyer verifies that the title of the property is clear and there are no other legal complications. All such external legal validations are verified and reviewed by the company's in-house legal team.

The independent verification report from the BM, Field Credit team, and external legal vendor, along with the bank statements of the applicant and co-applicant(s) as well as credit bureau reports, is sent by the system to the **'File Credit' team. This is a regionalized team with the authority to sanction/approve the loans of the customers. A 'File Credit' team member stationed in a particular branch does not sanction/approve the loans of the same branch.**

Exhibit 9: Five Star has an independent two-layered underwriting architecture

LAYER ONE: FIELD CREDIT TEAM	SYSTEM CONSOLIDATION	LAYER TWO: FILE CREDIT TEAM
❖ Independent verification of the property documents, property size, and an assessment of the valuation of the property collateral ❖ The Field Credit team also independently verifies the cash-flows of the applicants ❖ An independent inspection report is created	❖ Title and legal aspects of the collateral are also validated by an independent empaneled legal vendor. These legal reports are then verified by an in-house legal team. ❖ The System tabulates the inspection report of the branch manager and the field credit officer as two independent reports ❖ The system also adds third- party information like the applicants' bank account statements, credit bureau score checks on the applicant and the co-applicant(s), and legal opinion on title of the property including related checks from the state registrar's office.	❖ Final team in the underwriting process and the only team with approval and sanction powers ❖ It is a regionalized team that has access to all data and reports from business officers, BMs, field credit officers and external legal vendor ❖ This team reviews all the information available and conducts a telephonic interaction with the applicant and co-applicant(s) ❖ Based on the underwriting criteria, it approves (or rejects) the loan file and (if approved) it determines the sanctioned loan amount, interest rate, tenor, and EMI.

Source: MOFSL, Company

File Credit team: This team reviews the reports submitted by the BM, Field Credit team, and the external legal vendor. It also conducts a telephonic interaction with the applicant and co-applicant(s) to cross-check the details submitted by the respective teams. Based on its assessment, the team approves or rejects the loan application. If approved, this team also has responsibility for determining the sanctioned loan amount, interest rates, and tenor of the loan.

The operations team asks the branch to create a mortgage/charge on the property. The loan application file and the original property papers are then sent to the corporate office, where the encumbrance is verified. Lastly, the sanctioned loan amount is disbursed into the bank account of the borrower.

Five Star has implemented the maker-checker concept across all its sourcing, underwriting (including legal), and collection operations.

	Maker	Checker
Sourcing	Relationship Officer (RO)	Branch Manager (BM)
Legal verification	External Legal Vendor	In-house Legal Team
Underwriting	Field Credit Team	File Credit Team
Collections	RO + Branch Cashier	Team at the Head Office

Source: Company, MOFSL

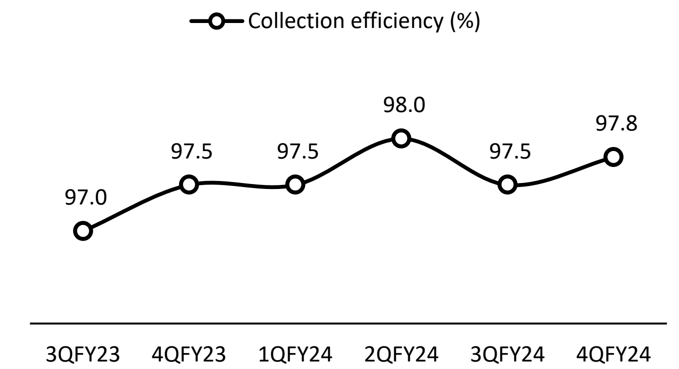
Collections

Collection is the responsibility of the same team of ROs, who do the sourcing of the loans. Both sourcing and collections are entirely done in-house. Like in the case of sourcing and underwriting, Five Star has a maker-checker construct in collections as well.

Cashiers in the branch submit daily reports on cash collections and cash balance to the Head Office (HO), which has a team that reconciles these to avoid any fraudulent activity at the branches. In addition, there is also a team at the HO that reconciles the EMI payments from the customers.

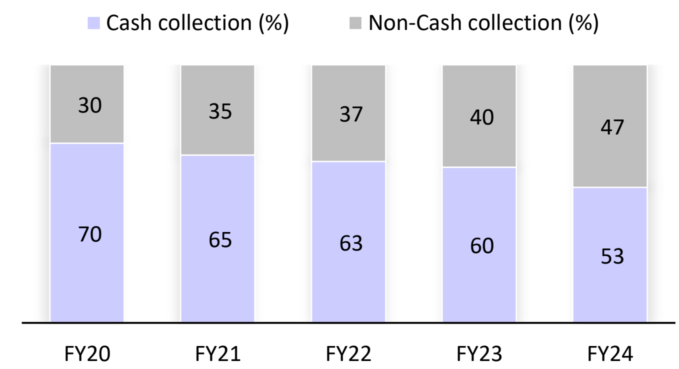
Given that Five Star caters to self-employed individuals whose cash flows can be volatile, it keeps a high number of Feet-on-Street (FOS) to collect money from overdue customers. This is an operationally-intensive business, and the component of cash collections was high at ~53% in FY24. While the proportion of cash collections has declined over a period of time, it still remains elevated, much like in the Micro-Finance business. The company does not force or incentivize its customers to make digital payments.

Exhibit 10: Collection efficiency (%)



Source: Company, MOFSL

Exhibit 11: Proportion of non-cash collections improving



Source: Company, MOFSL

Guardrails to mitigate risks

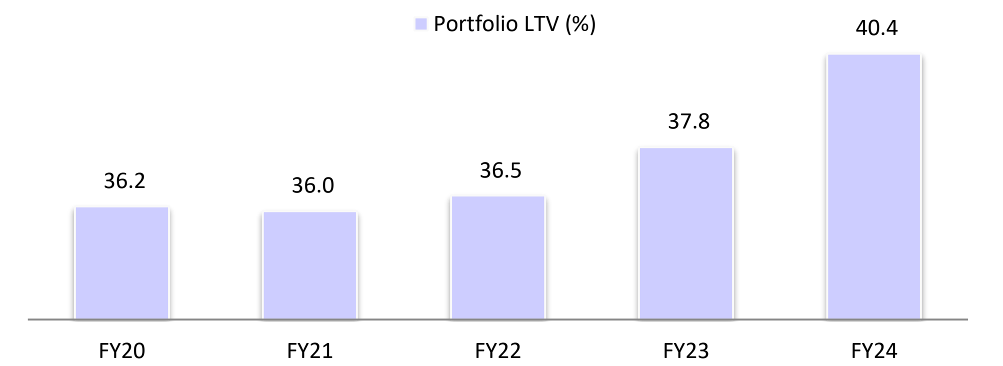
The most important guardrail that FIVESTAR has built is the independence of the 'Credit' function from 'Sales'. This ensures that the sanctions/approvals from the File Credit team are objective and unbiased – based purely on independent reports (from BM, Field Credit, and Legal Vendor) and other inputs required for credit decisioning.

In addition, FIVESTAR also ensures that the woman of the house is the primary applicant or the co-applicant(s) on the loan.

With regards to the collateral, the company also ensures that all members of the family who may have any right (present/future) to the title of the property, act as co-applicants to the loan.

The average LTV and customer FOIR at the time of sanction of the loan is ~50%, while the portfolio LTV was much lower at ~40% as of Mar'24.

Exhibit 12: Portfolio LTV, despite rising over the last two years, is still very conservative

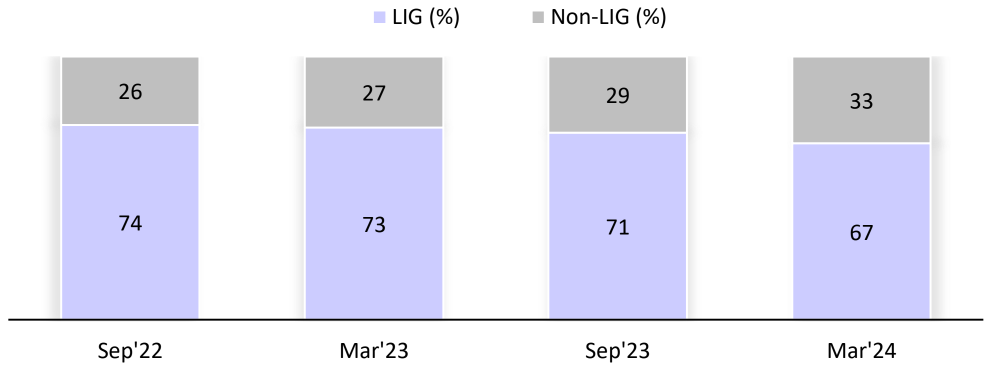


Source: Company, MOFSL

Entry barriers aiding pricing power

Five Star's target customer segment is an entrepreneur or a self-employed individual whose gross monthly household income is between INR25k and INR40k. About 67% of FIVESTAR's customers fall under the Low Income Group (LIG) category vs. ~73% a year ago.

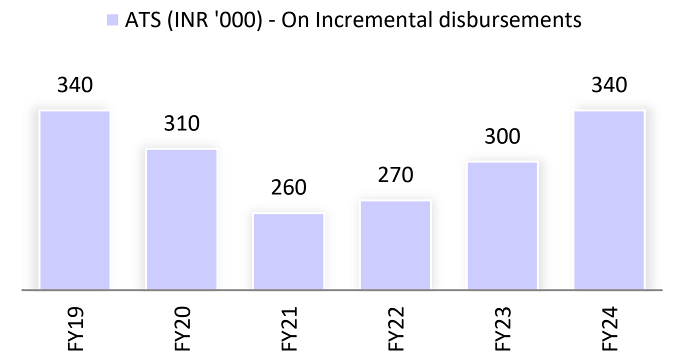
Exhibit 13: Customer mix (%)



Source: Company, MOFSL

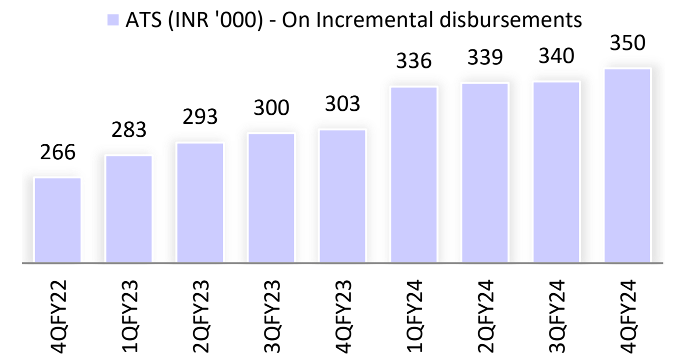
Average ticket size (ATS) of incremental disbursements stood at INR350k in 4QFY24 compared to INR266k in 4QFY22.

Exhibit 14: Secular improvement in ATS to sustain



Source: Company, MOFSL

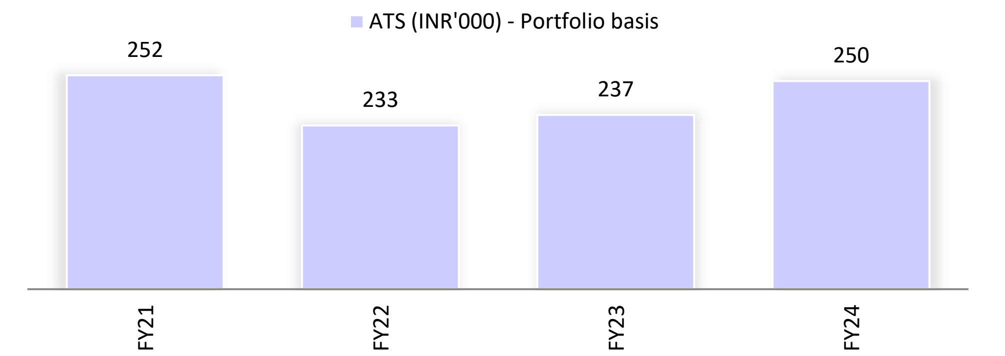
Exhibit 15: Steady improvement in ATS on disbursements



Source: Company, MOFSL

ATS on the portfolio stood at ~INR250k as of Mar'24. This compares to the ATS (portfolio) of ~INR233K in Mar'22. FIVESTAR became conservative post-Covid and saw its average ticket size decline during FY21-22. However, it has reported a recovery in ticket sizes from FY23 onwards and all through FY24.

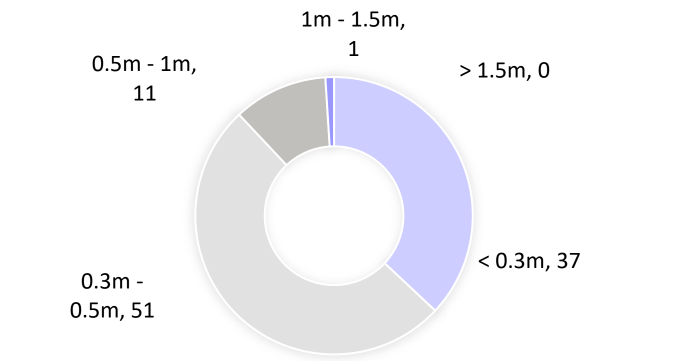
Exhibit 16: ATS on its portfolio is continuously inching up



Source: Company, MOFSL

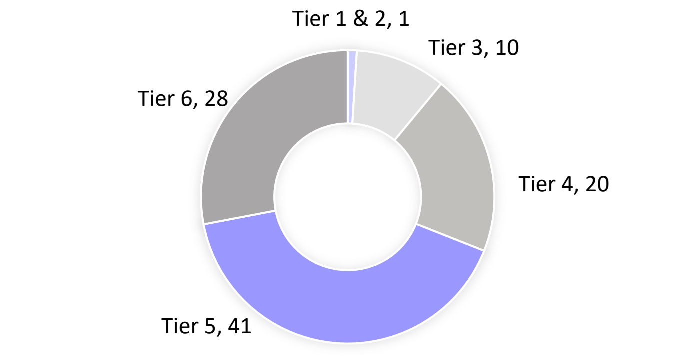
FIVESTAR operates in a ticket size of INR300-500k, in Tier 3-6 cities, which is operationally intensive and requires deep penetration in semi-urban and rural areas.

Exhibit 17: AUM mix based on ticket size in INR (%)



Source: Company, MOFSL

Exhibit 18: AUM mix based on branch tier (%)



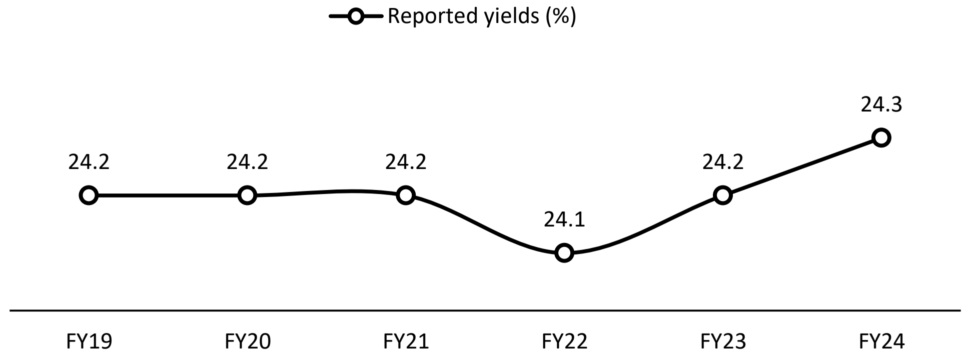
Source: Company, MOFSL

Because of the small ticket size and operationally-intensive nature of this product segment, large banks have usually stayed away, and only select NBFCs, SFBs, and MFIs have a presence in this segment.

The competitive landscape is relatively benign in this product segment where the ticket size is <INR500k, since most of the peers who have a presence in this product segment operate at ticket sizes of >INR500K.

Most of Five Star's customers have graduated from a local money lender to a formal lender for a higher-ticket secured loan against their property. These customers are not very price-sensitive since longer tenors of up to seven years result in a lower EMI outgo for such customers. Five Star's lending yields are ~24%, and most of its peers who operate in the same ticket size lend at interest rates that are in the ballpark of ~24% or even higher. This gives FIVESTAR the pricing power, and any significant increase in borrowing costs (if any, in the future) through interest rate cycles can easily be passed on to the customers.

Exhibit 19: Pricing power allows for sustenance of yields at ~24%

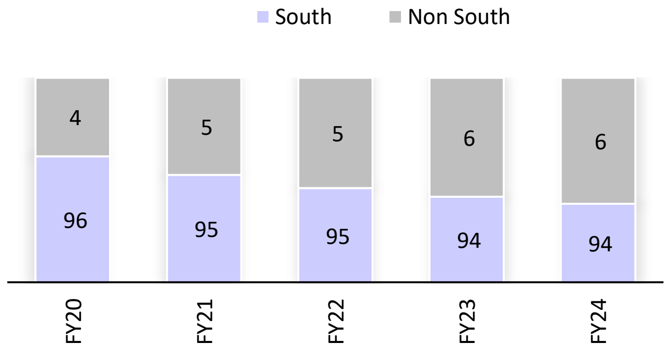


Source: Company, MOFSL

Making the choice between a specialized/regional niche and a generic pan-India player

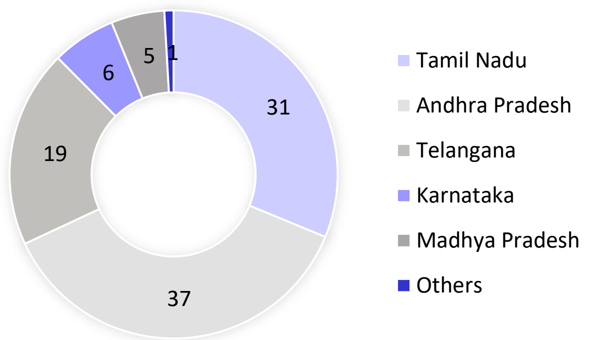
FIVESTAR has no qualms about admitting that it is a successful South-focused regional player, and a large part of its AUM growth over the next 2-3 years will continue to come from southern India. This is despite the company having expanded to the contiguous states of western and central India.

Exhibit 20: AUM mix will continue to be dominated by the southern markets in the foreseeable future



Source: Company, MOFSL

Exhibit 21: AUM Mix – state wise



Source: Company, MOFSL; Note: Data as of FY24

While the company has expanded in newer states like Maharashtra, Chhattisgarh, Uttar Pradesh, and Rajasthan, there was no real urgency to accelerate outside its core states (of Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, and Madhya Pradesh) in the initial few years.

Exhibit 22: AUM mix and the corresponding branch mix in its core geographies

	AUM (INR m)	AUM mix (%)	No. of branches	Branch mix (%)
Andhra Pradesh	35,518	37	172	33
Tami Nadu (incl. Pondicherry)	30,096	31	128	25
Telangana	18,796	19	92	18
Karnataka	6,055	6	41	8
Madhya Pradesh	5,069	5	63	12
Others	872	1	24	5
	96,406	**100**	**520**	**100**

Source: Company, MOFSL

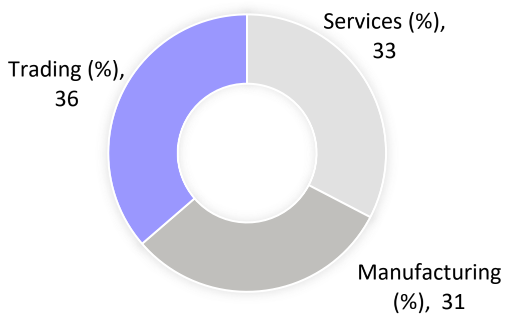
Branches in southern India contribute ~83% of the total branches of Five Star. Given that the company will continue to leverage its specialized niche in southern India and penetrate deeper in its core states, it will continue to open more branches in its four southern states and Madhya Pradesh. We expect southern India to still contribute ~75% of the branch mix over the next three years.

The company has also identified Gujarat as a new geography where it will look to expand within the next couple of years.

Industry overview: MSME and secured business loans

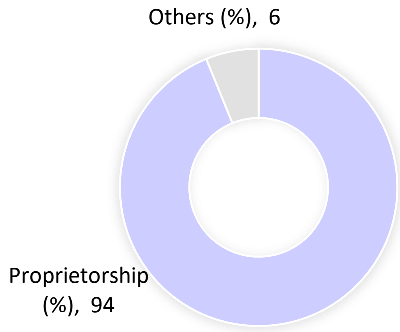
- According to the National Sample Survey (NSS) 73rd round dated Jun'16, the micro segment accounted for as much as ~99.5% of the total estimated number of micro, small and medium enterprises (MSMEs) in India.
- The small and medium enterprises (SMEs) made up ~0.5% and 0.01%, respectively, of the total estimated MSMEs.
- At a region level, rural regions accounted for marginally higher share of 51% as compared to urban regions. Out of ~63m micro enterprises, 51% of them are present in rural areas. A majority of MSMEs are present in bigger states, with UP, Rajasthan, Tamil Nadu, Maharashtra, and Gujarat together accounting for ~51% of the total number of registered MSMEs in India as of Feb'24.
- In terms of constitution, ~94% of these entities in India are estimated to be sole proprietorship firms, wherein a small business undertaking is run and managed by the business owner, and the business and the owner can virtually not be separated.

Exhibit 23: Trading sector has highest share among MSMEs



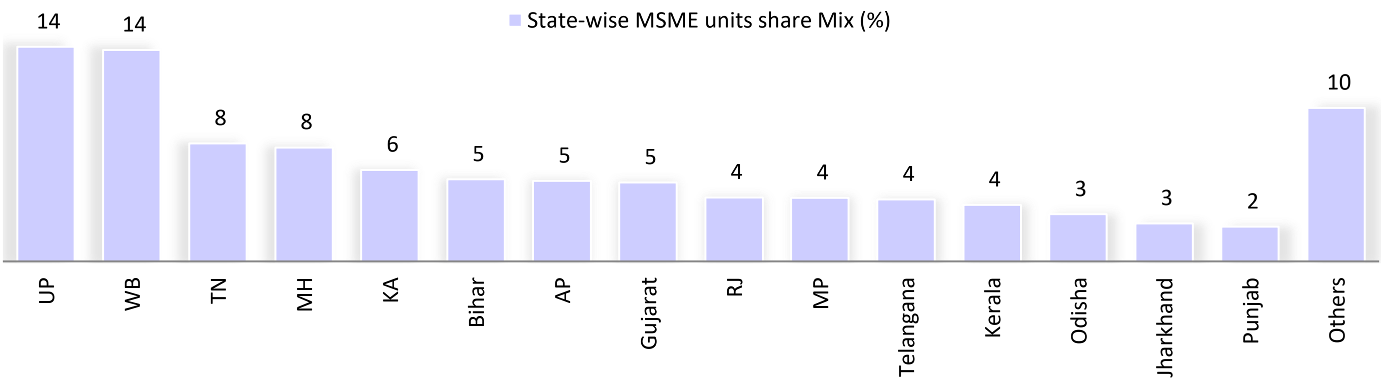
Source: Ministry of MSME, CRISIL, MOFSL

Exhibit 24: 94% of MSME firms are in form of proprietorship



Source: IFC, CRISIL, MOFSL

Exhibit 25: Top five states have ~50% of the total MSME units

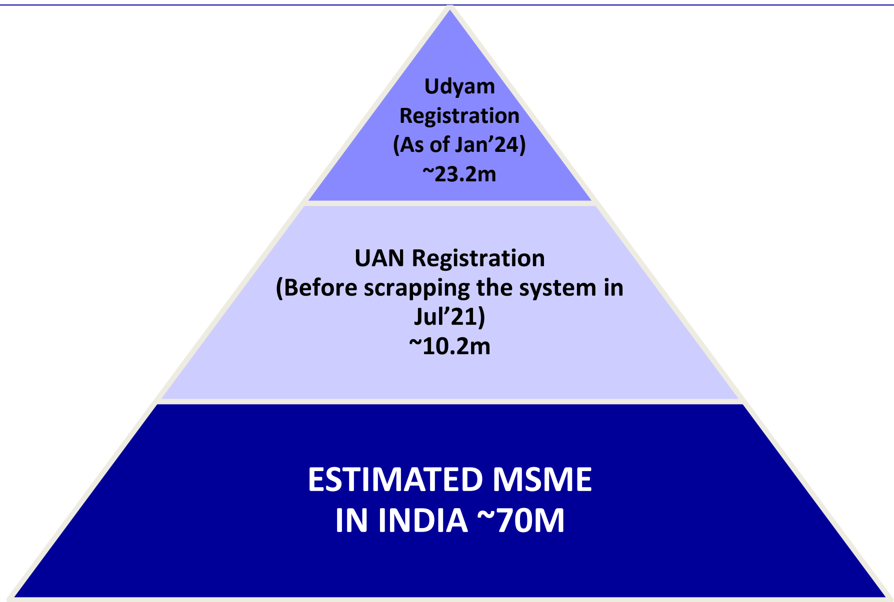


Source: NSS 73rd round, CRISIL, MOFSL

Small fraction of MSMEs in India registered under UDYAM system

After the government revised the definition of MSMEs (in Jun'20), MSMEs that had an existing MSME registration (Udyog Aadhaar Number or UAN) or Enterprise Memorandum (EM) were required to re-register themselves under UDYAM. Thereafter, in Aug'20, the RBI issued a notification allowing financiers to obtain the UDYAM certificate from entrepreneurs for lending purposes.

As of Jan'24, ~23.2m MSMEs were registered on UDYAM. Around ~10.2m were registered on the erstwhile UAN system. This number pales in comparison to the total number of MSMEs in India, estimated at ~70m.



Source: MSME Ministry, CRISIL

UDYAM certificate will be required for MSMEs to take benefits of any scheme of the Central government. The UDYAM portal is also integrated with the government's e-Marketplace (GeM) and the Trade Receivables and Discounting System (TReDS), so that enterprises can participate in government procurement and have a mechanism for discounting their bills.

MSME credit gap estimated at INR104t as of FY24

MSME credit demand was estimated at INR69.3t in FY17, of which only ~16% of demand was met through formal financing. Consequently, the MSME credit gap (defined as the gap between the demand for funds among MSMEs and the supply from formal financiers) was estimated at INR58.4t. This gap was met through informal sources, including moneylenders, chit funds and personal sources (friends and relatives). The interest rate of these sources generally ranges around 30-60% p.a.

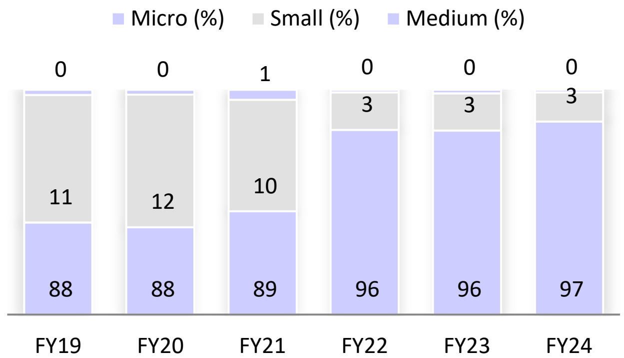
The credit gap is estimated to have further widened over the last four years due to slower economic growth in FY20, followed by the Covid-19 pandemic in FY21.
In FY24, the MSME credit demand was estimated to be ~INR138t, of which 25% of demand was met through formal financing. Assuming an increase of around 10% annually in the demand for credit and the availability of credit from formal sources, it is estimated that the credit gap would have increased to INR104t in FY24.

Exhibit 26: Top five states form ~50% of the total MSME units

Source: IFC report, CRISIL, MOFSL

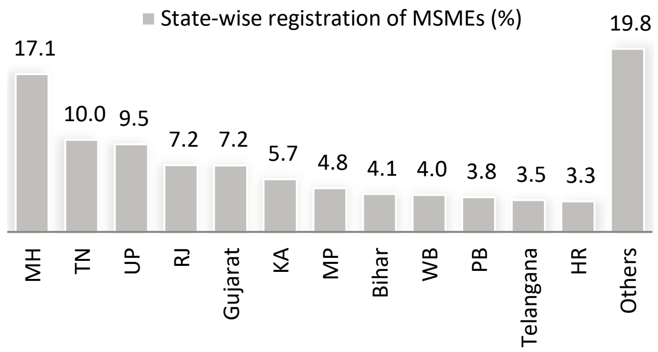
As of FY24, total addressable credit demand is estimated to be INR67.5t, out of which current formal financing stands at INR34.0t, taking the total addressable MSME credit gap to INR33.4t, which needs to be met by financial institutions. Total addressable credit demand is anticipated to rise, driven by higher bank support, favorable government policies, and an increased focus by lenders with tailored products and technological advancements. Technology and the use of various data sources are helping lenders analyze cash flow of new-to-credit MSME customers faster and bring many MSMEs into the formal financing network.

Exhibit 27: Category-wise registration of MSMEs (%)



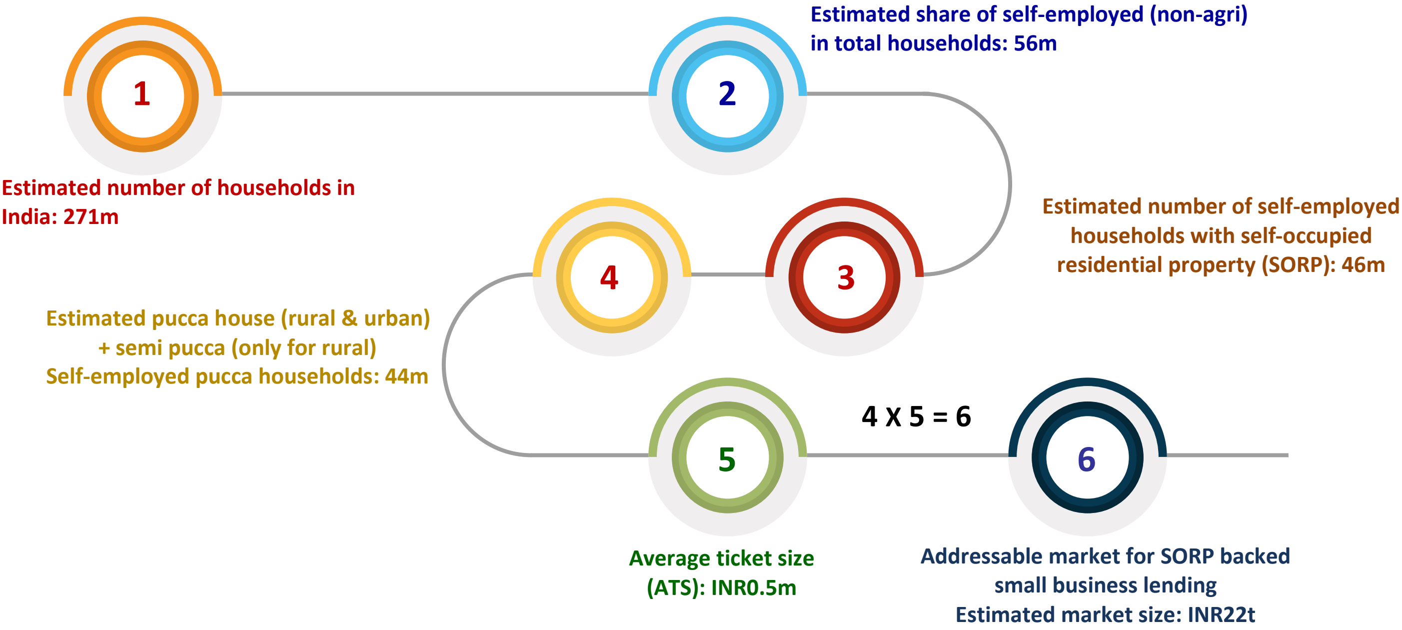
Source: UDYAM Registrations, CRISIL, MOFSL

Exhibit 28: State-wise registration of MSMEs (%)



Source: UDYAM Registrations, CRISIL, MOFSL

Potential market for residential property-backed secured MSME lending for ATS of <INR500K is estimated at INR22t



Players like FIVESTAR Business Finance, SBFC Finance, Vistaar Financial Services, Veritas Finance, and AU Small Finance Bank currently operate in this market. The top eight states are Uttar Pradesh, West Bengal, Bihar, Maharashtra, Rajasthan, Tamil Nadu, Gujarat and Madhya Pradesh. They together account for more than ~60% of the addressable market.

Exhibit 29: Comparison of NBFCs/SFBs based on yield on advances and ATS

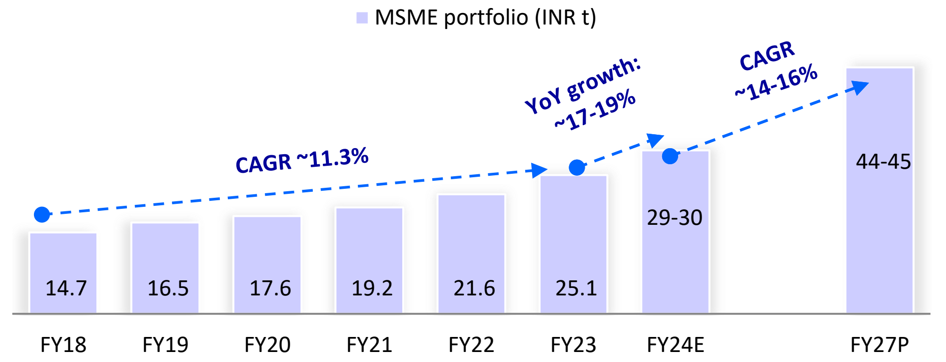
Particular	Yield less than 18%	Yield between 18% and 22%	Yield more than 22%
ATS ≥ INR1.0 m	Fedbank Financial	Bajaj Finance	IIFL Finance
	Ugro Capital		Neogrowth Credit
	Capri Global Capital		
	Poonawalla Fincorp		
ATS < INR1.0 m	AU SFB	Equitas SFB	Veritas Finance Private
	SBFC Finance	Vistaar Financial Services	FIVESTAR Business Finance
		SK Finance Limited	Aye Finance
			Lendingkart Finance
			Finova Capital
			Kinara Capital*

Source: Company Reports, CRISIL MI&A

Note: (*) *Based on FY23 data, Yield on advances based on overall portfolio of the company.*

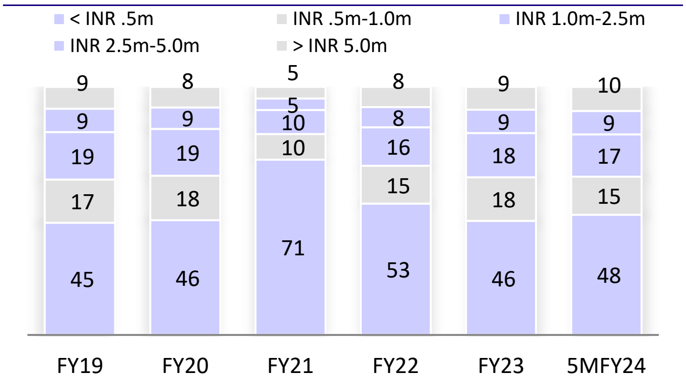
Compared to different loan products like affordable housing loans, microfinance loans, vehicle loans and personal loans, the small-ticket MSME loan is one of the most attractive asset classes, offering competitive yields over a medium tenure with good collateral quality and a lower default risk, as the loans are secured predominantly with self-occupied residential property (SORP).

Exhibit 30: Portfolio outstanding for MSME to grow at 14-16% CAGR over FY24-27



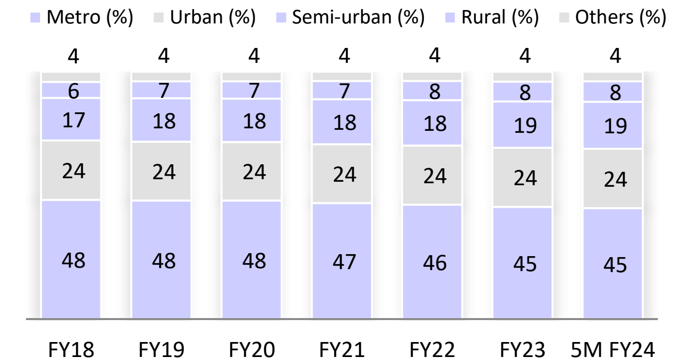
Source: TransUnion CIBIL, CRISIL

Exhibit 31: MSME loan mix by ticket size (%)



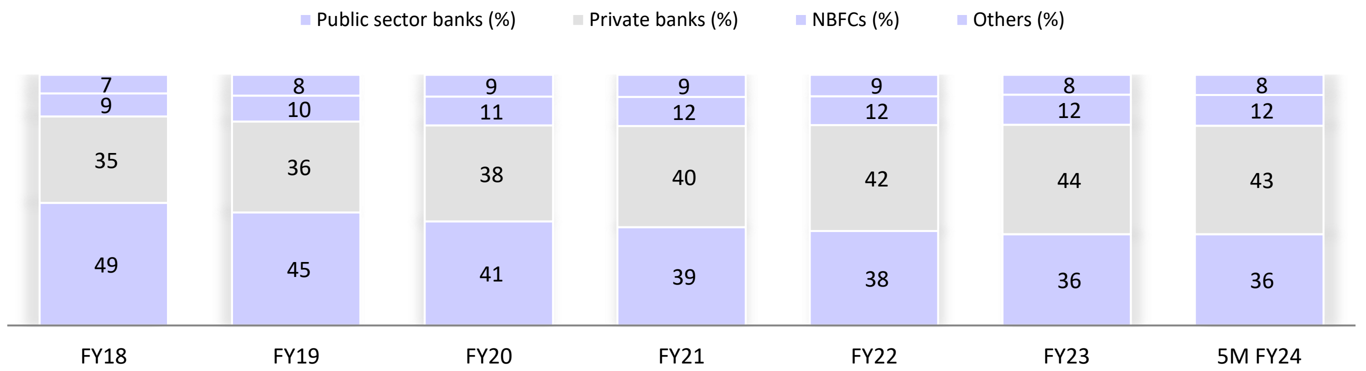
Source: TransUnion CIBIL, CRISIL, MOFSL

Exhibit 32: Tier-wise MSME loan mix (%)



Source: TransUnion CIBIL, CRISIL, MOFSL

Exhibit 33: Lender-wise MSME loan mix (%)



Source: TransUnion CIBIL, CRISIL, MOFSL

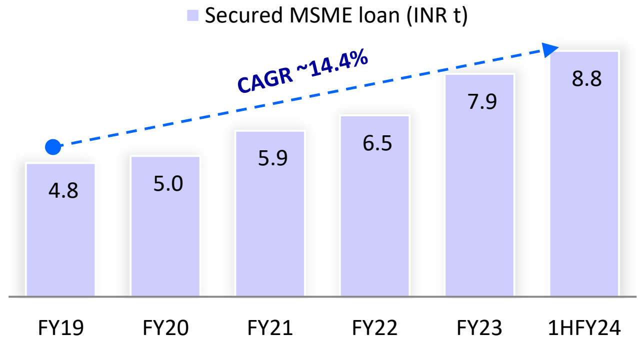
Secured MSME loans with ticket size of <INR500k witnessed better growth within the overall secured MSME portfolio

Total outstanding secured MSME loans with a ticket size of <INR500k issued by banks and NBFCs amount to ~INR372b, representing ~4% of total secured MSME loans outstanding as of Sep'23. The category has seen significant growth, with a CAGR of ~24% between FY19 and 1HFY24.

This growth was attributed to several factors, including the expansion of branch networks, increased data availability, and government initiatives such as GST and UDYAM, along with the ongoing formalization of the MSME sector. These factors have collectively heightened lenders' focus, particularly among NBFCs.

As of Sep'23, NBFCs and HFCs together held a market share of ~46% in outstanding loans in the secured MSME segment with a ticket size of <INR500k.

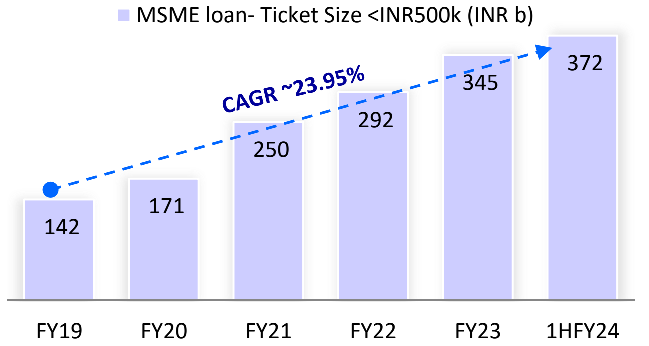
Exhibit 34: Outstanding secured MSME portfolio



Source: TransUnion CIBIL, CRISIL, MOFSL

Note: Data includes overall secured MSME loans as reported in the consumer bureau

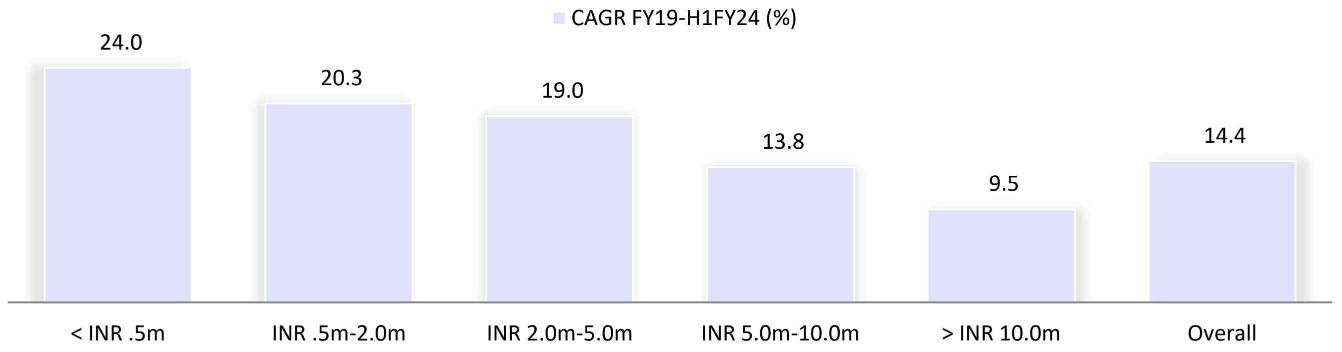
Exhibit 35: Secured MSME loan with ticket size of <INR500K



Source: TransUnion CIBIL, CRISIL, MOFSL

Note: Data includes overall secured MSME loans (<INR500K ticket size) as reported in the consumer bureau

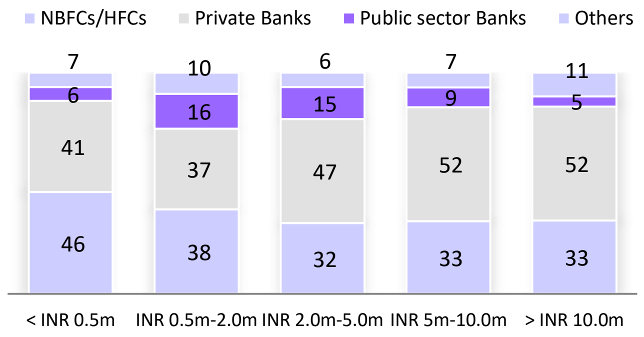
Exhibit 36: Secured MSME loans (ticket size <INR500k) witnessed higher growth than overall MSME portfolio



Source: TransUnion CIBIL, CRISIL, MOFSL

Note: Data includes overall secured MSME loans as reported in the consumer bureau

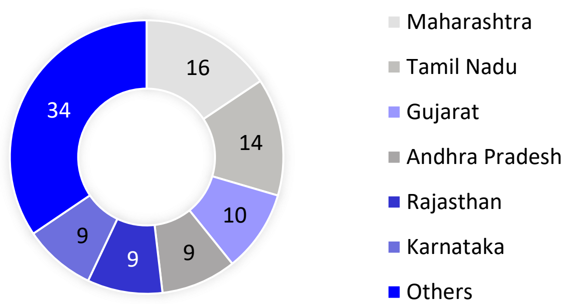
Exhibit 37: Lender-wise market share in MSME loans with ticket size of <INR500k (%)



Source: TransUnion CIBIL, CRISIL; Note: Data as of Sep'23

Note: Others include players like foreign banks, SFBs, co-operative banks and regional rural banks

Exhibit 38: State-wise mix of loans with ticket size <INR500k

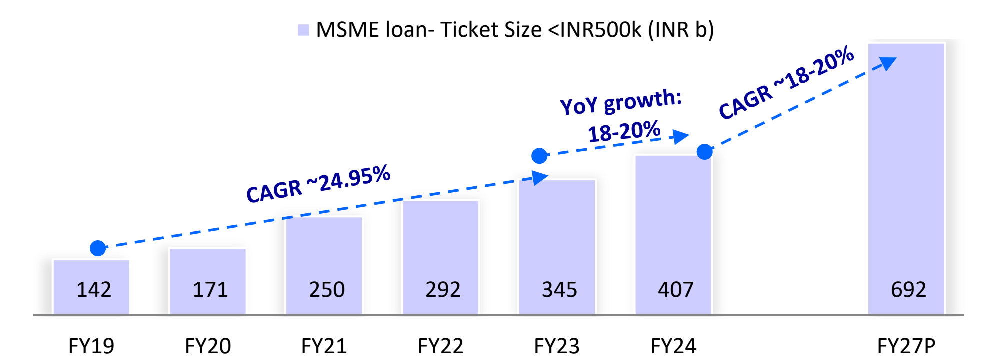


Source: TransUnion CIBIL, CRISIL MI&A

Secured MSME loans <INR500k will continue to grow at a strong pace

There is a huge demand-supply gap in the secured MSME loan segment, especially in the lower ticket size segments. With an increasing presence of MSME lenders in smaller cities and rising focus of lenders on the underserved target customer segment, the loan portfolio is expected to see strong growth in the future. Going forward, the portfolio of secured MSME loans with a ticket size of <INR500k is expected to witness a CAGR of 18-20% over FY24-FY27, aided by 1) increasing focus and higher penetration of lenders for such loans, 2) enhanced availability of data thereby increasing lender comfort while underwriting such loans, 3) enhanced use of technology, 4) entry of newer players in the segment, and 5) continued government support.

Exhibit 39: Secured MSME loans (ATS <INR0.5m)



Source: TransUnion CIBIL, CRISIL MI&A

Asset Quality trends across <INR500K and INR500K-2.0m ticket size

Exhibit 40: 90+ dpd (%)

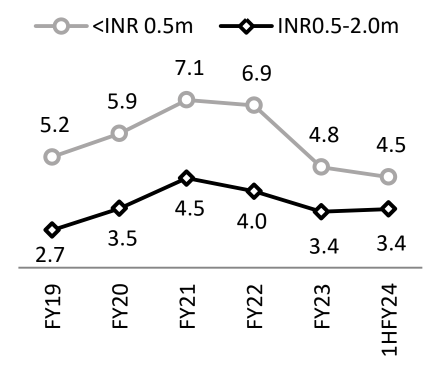


Exhibit 41: 90-720 dpd (%)

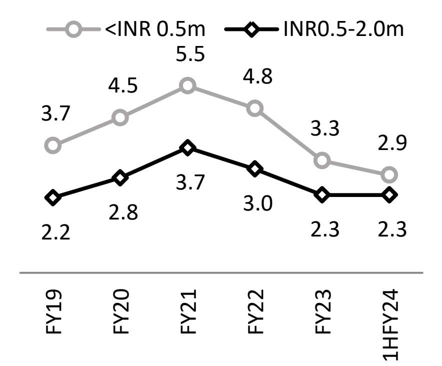
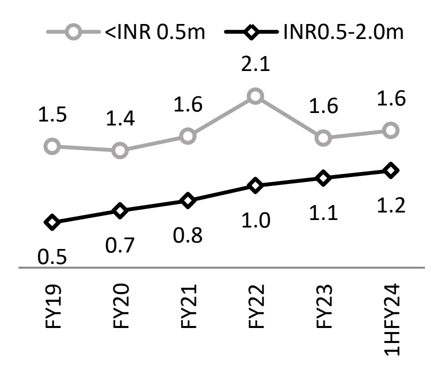


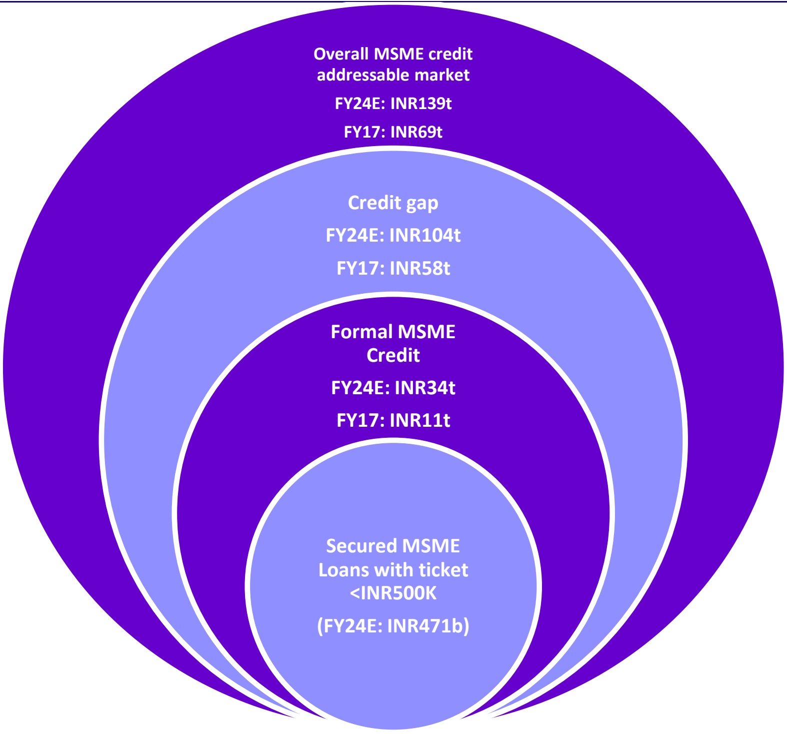
Exhibit 42: 720+ dpd (%)



Source: Company, MOFSL

Key success factors for NBFCs offering MSME loans

Exhibit 43: Secured MSME loans with ticket size <INR500K account for ~1% of formal MSME credit indicating huge opportunity



Source: MSME Ministry, Annual report for FY21, IFC Report on Financing India's MSMEs, dated Nov 2018, CRISIL; Note: Overall formal MSME credit includes all kinds of secured and unsecured loans given to MSMEs across ticket sizes by organized lenders

- **Ability to dive into deeper geographies with a strong branch network**: Players need to have a clear and deeper understanding of their target customer segment and the markets they operate in and develop a strong local network. The deeper understanding and presence of in-house sales teams for direct sourcing within the segment also leads to lower customer churn.
- **Focused approach to tap underserved niche borrower segments:** MSME-focused lenders need to build a portfolio with deep understanding of the target segment and market. Specific tailored lending products for MSMEs with easier data availability should help lenders take a focused approach.
- **Strong underwriting capabilities**: MSMEs tend to generally be more impacted by vagaries of the business cycle, given their limited financial wherewithal and/or reliance on larger buyers. On account of limited data to support credibility of the MSME borrower, lenders are now using alternate methods of underwriting, i.e., cash flow analysis, to strengthen their underwriting.
- **On-the-ground presence to manage collections and maintain portfolio quality**: Additionally, given that players in the segment also cater to a relatively riskier profile, a strong focus on collections and monitoring risk of default at customer level is vital to manage asset quality. Direct sourcing allows control over the quality of customers and processes involved in disbursement, which can lead to better asset quality compared to other methods of customer acquisition.
- **Collateral risk management**: Properties that are used as collateral for MSME loans sometimes lack proper property titles, especially in the outskirts of large cities, semi-urban and rural areas.

Franchise equipped for strong AUM and earnings growth

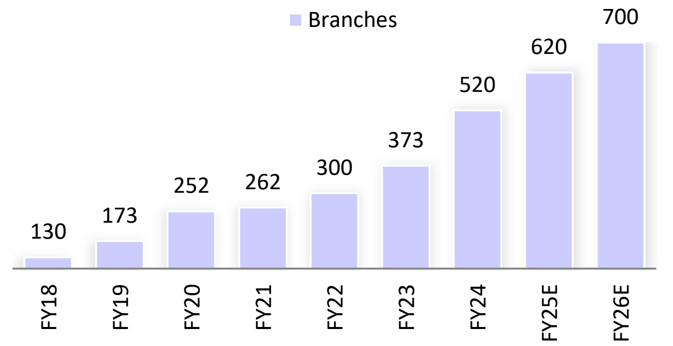
Estimate AUM CAGR of ~31% and PAT CAGR of ~23% over FY24-FY26

Multiple levers for sustained AUM growth

FIVESTAR can continue to deliver strong AUM growth in the medium term, driven by three levers:

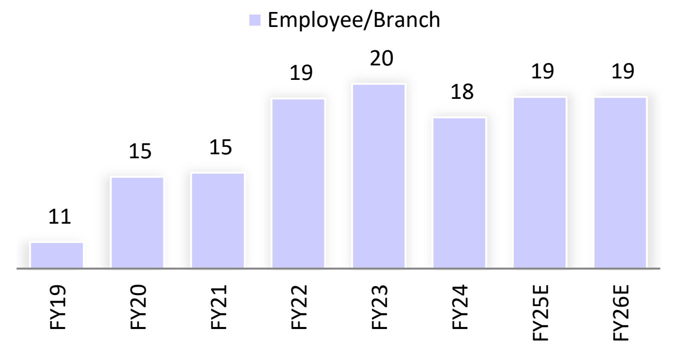
1) Strong distribution network through deeper penetration in core states and contiguous expansion to newer states. Improvement in productivity of lower vintage branches, as they mature, will further aid growth;
2) Ability to keep supplementing the need for increasing the number of feet on the street as its existing branches mature and new branches need to be staffed;
3) Increase in average ticket sizes with higher customer vintage and inflationary increases.

Exhibit 44: Distribution network expected to expand to ~700 branches by FY26



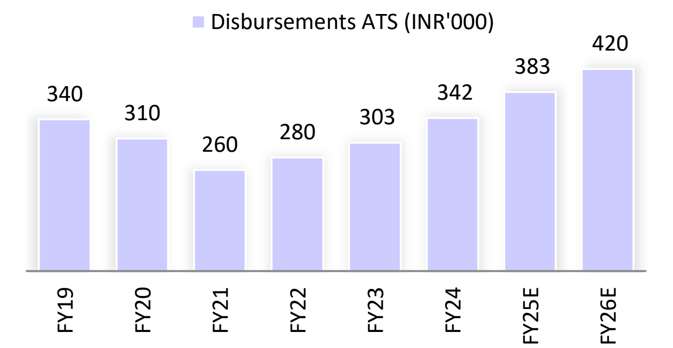
Source: Company, MOFSL

Exhibit 45: Operationally intensive business model will require continuous on-boarding of employees



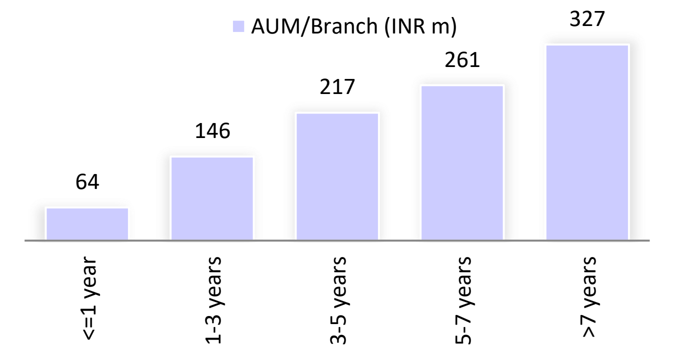
Source: Company, MOFSL ;Note: Data as of FY24

Exhibit 46: Disbursement ATS expected to inch up with inflation



Source: Company, MOFSL

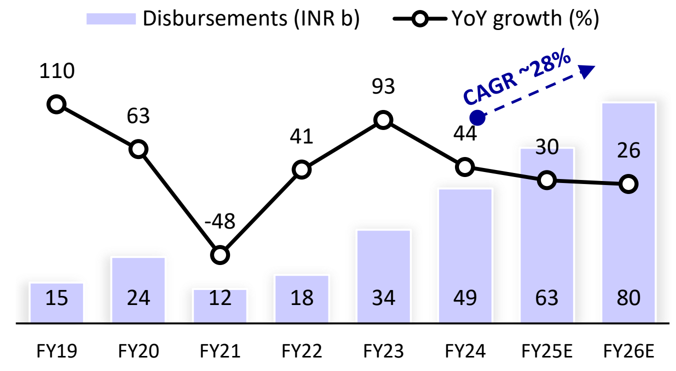
Exhibit 47: AUM per branch (basis vintage)



Source: Company, MOFSL ;Note: Data as of FY24

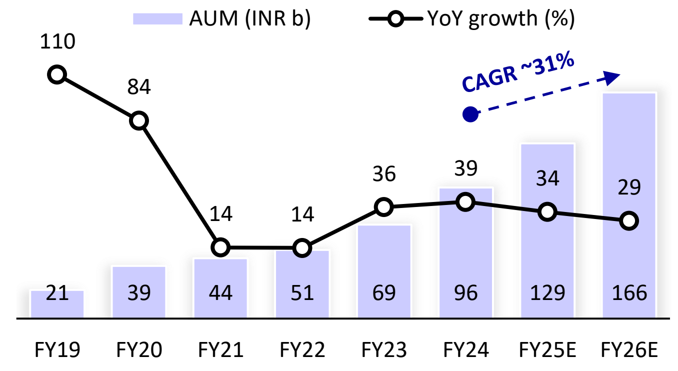
FIVESTAR reported a disbursement ATS of ~INR342k in FY24. We expect the disbursement ATS to improve to ~INR380k in FY25E and ~INR420k in FY26 through a combination of higher ticket sizes for vintage customers and inflationary increase in ATS. **We model a disbursement CAGR of ~28% and AUM CAGR of ~31% over FY24-FY26E.**

Exhibit 48: Expect disbursement CAGR of 28% over FY24-26



Source: Company, MOFSL

Exhibit 49: Leading to AUM CAGR of ~31% over FY24-26



Source: Company, MOFSL

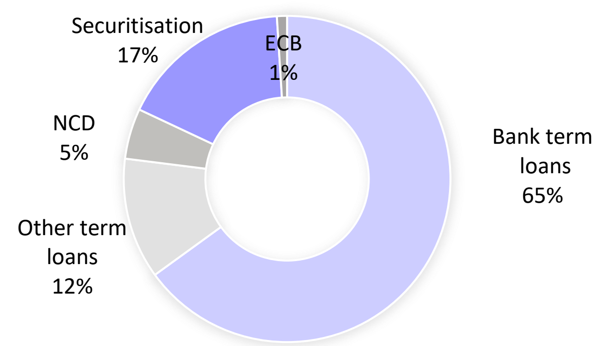
Pricing power to ensure NIM remains healthy despite compression

Competitive intensity is lower in the secured MSME segment with ATS lower than INR500k. Moreover, these target customers usually graduate from an informal money lender to a formal lender, so they are not very sensitive to pricing.

In addition to yields of 24-25%, the company also charges a processing fee of ~2% (which is amortized over the life of the loan) and other fees like login fee, legal fee and document storage charges from the customer ranging between INR500 and INR2,000.

On the liability side, the company has a well-diversified borrowing mix and has also deepened its relationships with many PSU and private banks. The company has also recently received large sanctions from NABARD and International Finance Corporation (IFC). The company does not use short-term borrowings to fund its long-term assets.

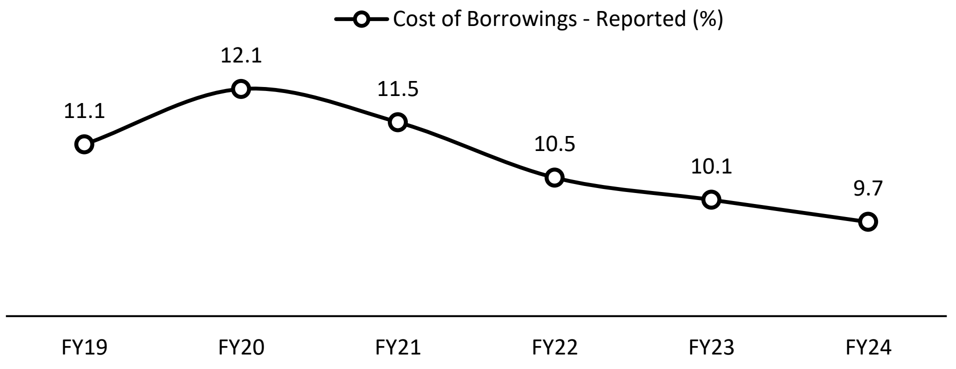
Exhibit 50: Looking to further diversify its borrowing mix (Mar'24)



Source: Company, MOFSL; Note: Borrowing mix as of Mar'24

Currently, Five Star's liabilities do not get the benefit of PSL since the company never used to collect UDYAM certificates from its customers. Based on an initial assessment, the company shared that ~25-30% of its incremental disbursements will be classified as PSL, which will make it eligible for PSL borrowings.

Exhibit 51: Cost of borrowings declined for Five Star even in an adverse interest rate cycle



Source: Company; Note: Based on company's reported cost of borrowings

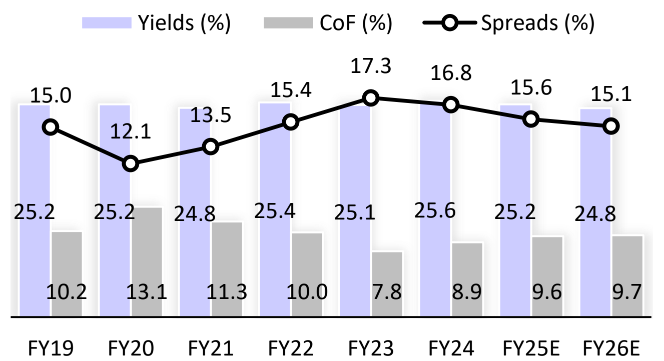
Exhibit 52: FIVESTAR has received credit rating upgrades in the last 12-18 months

Credit Ratings	Instrument	FY19	FY20	FY21	FY22	FY23	FY24
CARE	Long-term bank facilities	A	A	A	A+	AA-	AA-
	Short-term bank facilities			A1	A1+	A1+	A1+
	Non-Convertible Debentures	A	A	A	A+		
	Commercial Paper	A1	A1	A1	A1+	A1+	A1+
ICRA	Long-term bank facilities	A	A	A	A+	A+	AA-
	Non-Convertible Debentures	A	A	A	A+	AA-	AA-
India Ratings	Long-term bank facilities					AA-	AA-
	Non-Convertible Debentures						AA-

Source: Company, MOFSL

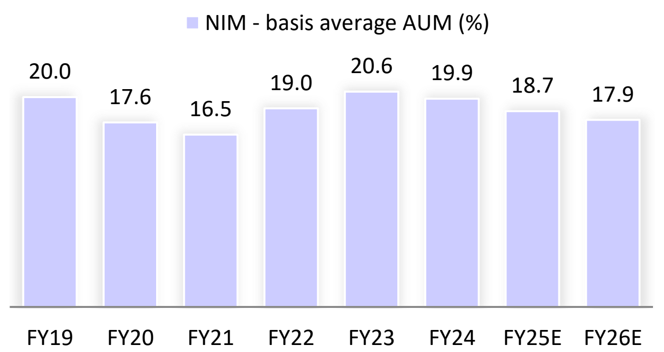
In terms of its cost of borrowings (CoB), we expect a minor increase in CoB as the company tries to further diversify its borrowing mix by leveraging debt capital markets for NCDs (including borrowing from mutual funds).

Exhibit 53: Rising CoF to impact spreads going forward



Source: Company, MOFSL;
Note: CoF is based on average of total borrowings at end of period

Exhibit 54: NIMs expected to moderate to ~18% by FY26



Source: Company, MOFSL; Note: NIM is calculated as % of avg. AUM

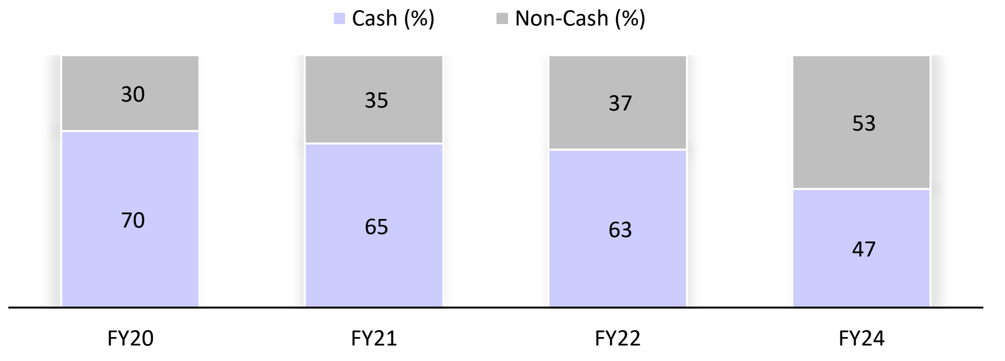
The company believes that, over the course of time, it will look to pass on the benefits of lower CoB (if any, from PSL borrowings, credit rating upgrade or a decline in the Repo rates) to customers. As the leverage improves, we expect NIM to moderate over FY25-26. Despite the compression, we still estimate healthy NIM of ~18.7%/18% in FY25/FY26.

Operationally intensive business model but scope for operating leverage

Secured MSME loan, particularly in ticket sizes below INR500k, is an operationally intensive product segment because of the target customer segment that can see volatility in cash flows.

Historically, the increase in the employee headcount has been commensurate with the increase in branches and customer accounts. Moreover, the component of cash collections still remains high (comparable to microfinance) and quite unlike other product segments.

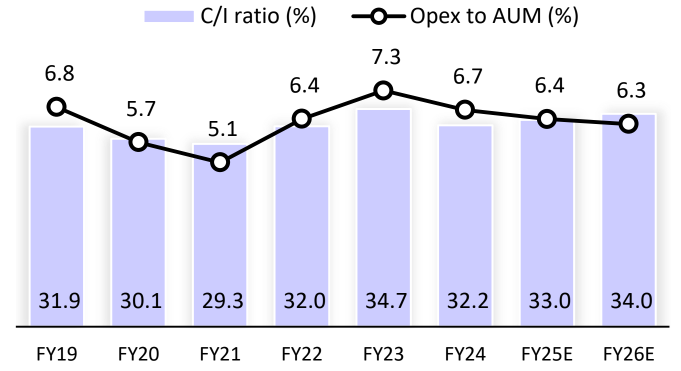
Exhibit 55: Cash vs. non-cash collections



Source: Company, MOFSL

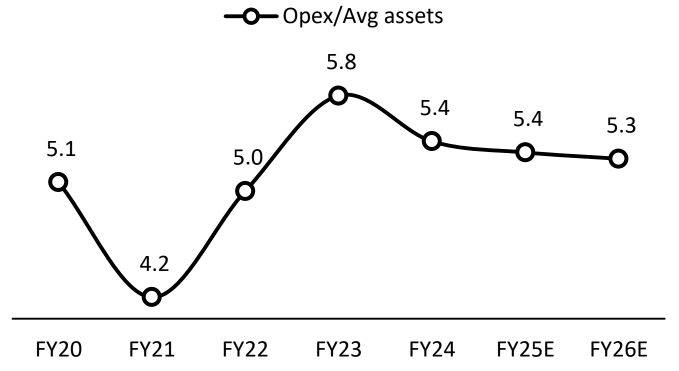
The company will also continue to invest in branch expansion, technology infrastructure and tools, which will make it more efficient and improve the productivity of its employees and branches.

Exhibit 56: Cost-income ratio expected to be range-bound



Source: Company, MOFSL

Exhibit 57: Opex/avg assets to moderate to 5.3% by FY26



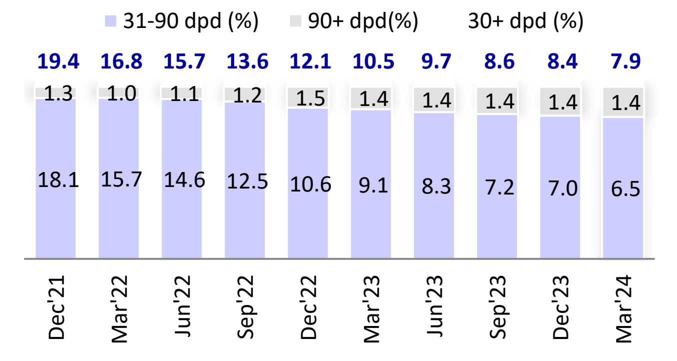
Source: Company, MOFSL

We expect the opex-to-average AUM ratio to decline to 6.4%/6.3% in FY25/FY26 from 6.7% in FY24, aided by operating leverage and improvements in branch and employee productivity.

Strong handle on asset quality; credit costs to increase but remain benign

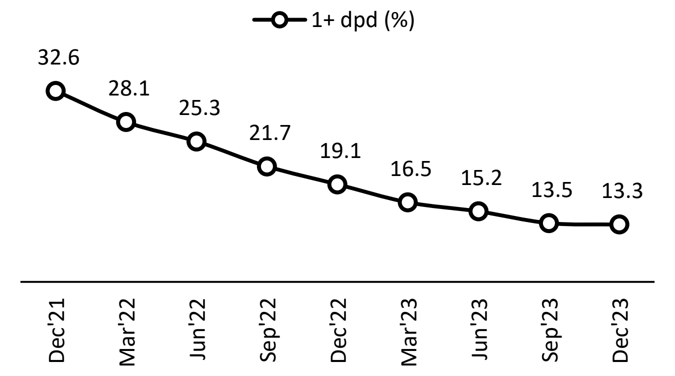
As highlighted earlier, FIVESTAR operates in a customer segment where cash flows tend to be volatile. Historically, the company has reported higher levels (vs. peers) of 1+ dpd and 30+ dpd (softer delinquencies), but its GNPA/Stage 3 levels have always been comparable or better than most peers'. This inherently suggests that FIVESTAR's customers might miss a few EMI repayments, but they pay up (even if it is a little late). FIVESTAR, through its strong collection teams and focused efforts, tries to ensure that the customers do not slip into the GNPA pool.

Exhibit 58: 30+dpd declined ~250bp YoY to ~8% as of Mar'24



Source: Company, MOFSL

Exhibit 59: 1+dpd declined to ~13.3% as of Mar'24 (%)



Source: Company, MOFSL

FIVESTAR has a stringent criterion for top-up loans and the company offers top-up loans only

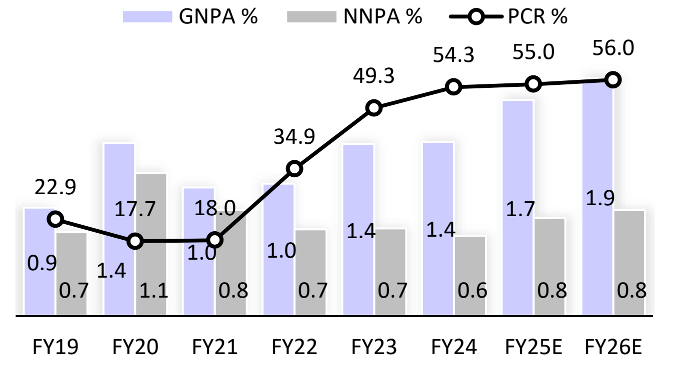
- After the completion of at least 24 months of the existing loan
- If the customer has no arrears (Zero DPD customer) and has never earlier slipped into the 30+dpd bucket

While giving out a top-up loan, the company again does a fresh re-assessment of the customer and the collateral. While sanctioning a top-up loan, the company ensures that the top-up loan and the original loan combined do not breach the threshold of ~50% on LTV as well as FOIR.

The company classifies all top-up loans as new loans so that they can be tracked separately. Customers with top-up loans will often have two loans from FIVESTAR, unless they pre-close their existing loan and take a new loan with the topped-up amount. The proportion of AUM from customers with top-up loans is <10% of the total AUM, suggesting that pure top-up loans would be <5% of AUM.

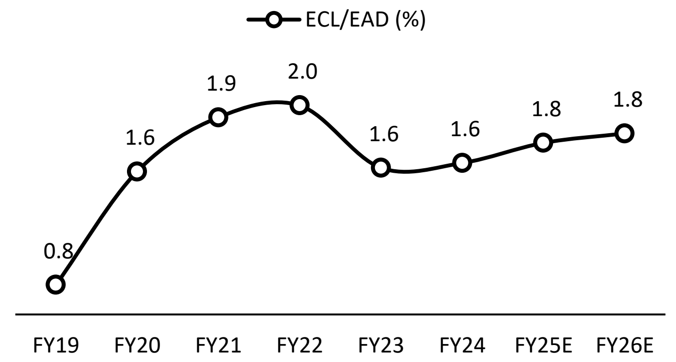
All loans disbursed by FIVESTAR usually have a ticket size of less than INR2m. The minimum loan size for the enforcement of SARFAESI and the initiation of recovery proceedings is INR2m. Given that the properties are in Tier 3 to Tier 6 cities, it is difficult for the company to repossess and auction such properties. Instead, FIVESTAR works closely with NPA customers to settle the account. It also helps the customer to sell the property and repay the entire amount outstanding. Since Apr'18, the company has settled over 5,200 loans, which were 90+ and the IRR loss was <2% on the majority of such settled loans.

Exhibit 60: Asset quality expected to normalize to find its steady state (%)



Source: Company, MOFSL

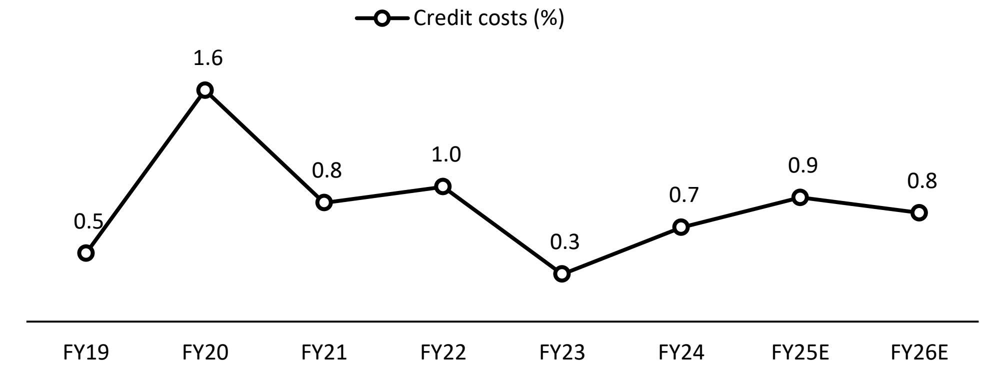
Exhibit 61: ECL/EAD expected to stabilize at ~1.8%



Source: Company, MOFSL

We expect GS3 to normalize from the current level of ~1.4% (as of Mar'24) and stabilize around 1.7-1.9% in FY25 and FY26. FIVESTAR reported credit costs of ~0.7% in FY24. We estimate credit costs to increase to 0.9%/0.8% and ECL/EAD to improve to 1.77%/1.84% in FY25/FY26.

Exhibit 62: As portfolio seasons, credit costs increase but still remain below 1%

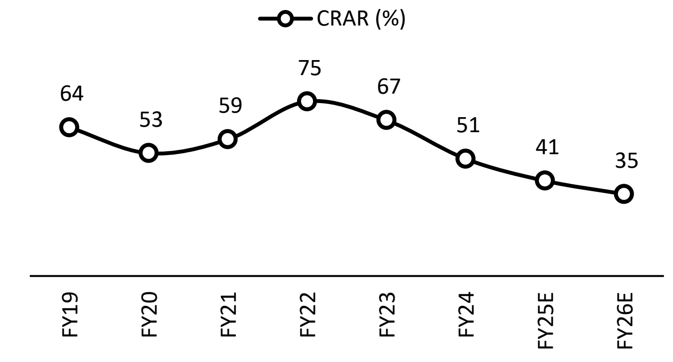


Source: Company, MOFSL

Strong return ratios for a franchise primed for high profitability

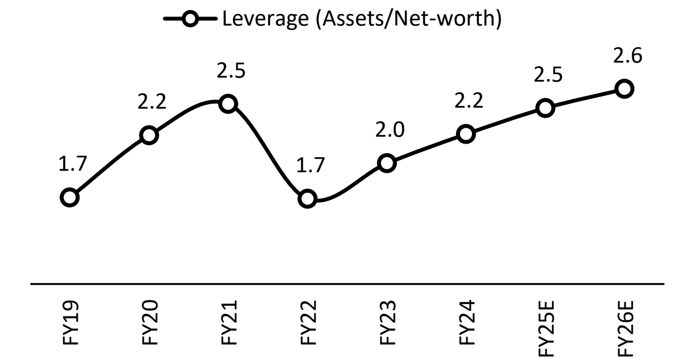
FIVESTAR currently has a mono-line business model, which is equipped to deliver higher RoA compared to many other product segments. Through a combination of sustained AUM growth, healthy NIM (despite compression), operating leverage benefits, healthy asset quality and benign credit costs, we expect the company to deliver a PAT CAGR of ~23% over FY24-FY26E.

Exhibit 63: Strong capital adequacy will support strong AUM growth for FIVESTAR



Source: Company, MOFSL

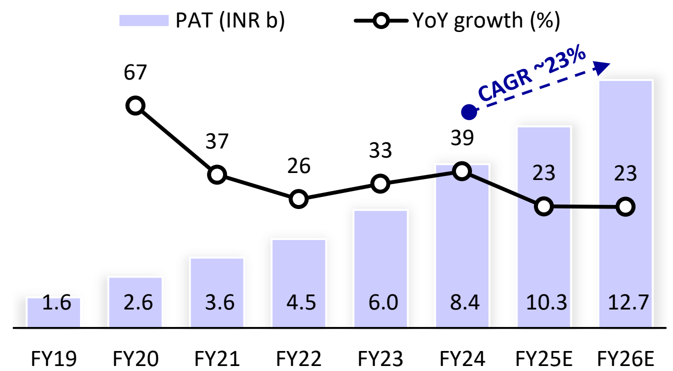
Exhibit 64: Leverage to inch up to 2.6x by FY26



Source: Company, MOFSL

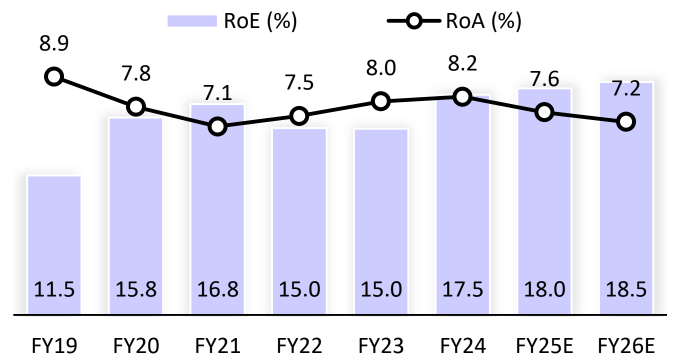
The company is strongly capitalized for growth, with a high capital adequacy (CRAR) of ~51% as of Mar'24. Even with an AUM CAGR of ~31% over FY24-26, CRAR will decline to ~35% by Mar'26.

Exhibit 65: PAT CAGR of ~23% over FY24-26



Source: Company, MOFSL

Exhibit 66: Expect RoA/RoE of 7.2%/18.5% in FY26



Source: Company, MOFSL

Leverage will keep improving over the next two years and will boost the RoE profile, despite a moderation in RoA over the next two years. We model RoA/RoE of 7.2%/18.5% in FY26E.

Sustained profitable growth owing to its niche; Initiate coverage with a BUY rating

Premium valuations to sustain; strong growth and highly profitable franchise

The term ‘niche’ has become somewhat of a cliché, with NBFCs/HFCs all striving to identify and establish their profitable niche. However, we believe that it is these unique niches and the protective moats companies build around them that truly set one franchise apart from another.

FIVESTAR has close to two decades of operating experience in the small business loan (SBL) segment, particularly focusing on ticket sizes <INR500K. This niche market enjoys a relatively benign competitive landscape due to several factors a) the operationally intensive nature of the product segment, b) high entry barriers demanding a deep understanding of customer behavior and regional nuances, and c) a core demand for this product in Tier 3 – 6 cities, where the target customer exhibits volatile cash flows and associated risks.

We believe that FIVESTAR is now sweetly positioned to leverage the strong target opportunity in the SBL segment. The company has a market share of ~20% in this segment (SBL with ticket size <INR500K) and we expect it to continue to gain market share as it forges ahead.
The company continues to strengthen its business model through a combination of improvements in its underwriting model and investments in technology to drive operational efficiency and better productivity of its branches/employees.

We present below our investment thesis for FIVESTAR below:

Big addressable market with high entry barriers: As of Mar’21, the target market opportunity (TAM) for secured MSME loans given to non-agricultural self-employed households, with self-occupied residential property (SORP) serving as collateral and for ticket sizes <INR500K, stood at INR22t.
Compared to this, the secured MSME portfolio outstanding (ticket size <INR500K) stood at INR372b as of Sep’23. Relative to affordable housing finance, SBL presents a more secular growth opportunity with better margins. Entry barriers will remain high in this segment, presenting an opportunity for incumbents with a robust business model and distribution strength to gain profitable market share.

Sustenance of strong AUM growth: FIVESTAR is a specialized lender in secured business loans to micro-entrepreneurs and self-employed individuals. The company has delivered an AUM CAGR of ~36% over the last five years. We expect it to deliver an AUM CAGR of ~31% over FY24-FY26. This growth will be driven by enhancements in branch productivity, inflationary increases in ticket sizes, and continued expansion of its geographical footprint.

Superior underwriting moats and resilience through economic cycles: The company has maintained a strong asset quality track record even through economic downturns. FIVESTAR leverages its multi-layer underwriting architecture, which is focused on reasonably evaluating the customer’s character, cash-flows, and collateral. The company has exhibited resilience through various economic cycles, including the COVID-19 pandemic and demonetization. Its focus on customers engaged in essential services and strong collections model has helped it navigate a difficult external environment without any significant impact on asset quality.

Pricing power and expected benefits in CoB over the medium term will keep NIM healthy: Five Star enjoys high pricing power in its target customer segment, resulting in largely steady yields for the company. While the weighted average cost of borrowings could increase in the near term because of diversification of the liability mix, we expect the company's CoB to decline over the medium term, aided by credit rating upgrades. We expect NIM to remain healthy at ~18-19% over the next two years.

Credit costs below 1%; healthy RoA/RoE profile: Except for disruptions such as COVID-19 and demonetization, FIVESTAR has consistently delivered credit costs <1% across economic cycles. As the portfolio matures, we expect Stage 3 and credit costs to rise, yet we project Stage 3 to remain below 2% and credit costs to stay under 1%. Coupled with incremental benefits from operating leverage and productivity enhancements, FIVESTAR is poised to deliver healthy RoA/RoE of 7.2%/18.5% by FY26.

FIVESTAR currently trades at 2.9x FY26E P/BV, which we acknowledge are premium valuations akin to certain affordable Housing Financiers. We present below a quick comparison between the two sub-sectors in the table below

	Secured Business Loans	Affordable Housing Finance
Potential for AUM CAGR in the near term (2 years)	>30%	>30%
Potential for AUM CAGR over the medium term (3-5 years)	25-28%	25-28%
Business Model – Risk Profile	Medium	Low
Competitive Landscape	Benign in <INR500K ticket size; High competition in the >INR1m ticket size	High competitive intensity; pressure on yields to continue
NIM Profile	Pricing power allowing for stronger NIM	No pricing power resulting in compression of spreads and NIM
Opex Profile	Operationally intensive; cash collections are high; higher FOS and predominantly in-house sourcing model	Players with sourcing models varying from largely in-house (higher opex structure) to models which rely extensively on connectors/DSAs (leaner opex structure) Not as operationally intensive as SBL since NACH attachment and non-cash collection is high
Asset Quality	1+dpd much higher than AHFCs and also Stage 3 is higher than AHFCs	Much Lower 1+dpd; Stage 3 usually tends to be benign across the industry in the range of 1-2%;
Credit Costs	100-200bp	25-70bp
RoA	Superior RoA compared to AHFCs because of much superior NIM profile	Relatively lower RoA profile

We believe that FIVESTAR's premium valuations will sustain in the medium term based on its niche market position, strong growth potential, superior underwriting practices, resilient asset quality, and high return metrics. We estimate a PAT CAGR of ~23% over FY24-FY26 for a RoA/RoE of 7.2%/18.5% in FY26. We initiate coverage on the stock with a BUY rating and a target price of INR950 (based of 3.7x FY26E P/BV).

Key downside risks

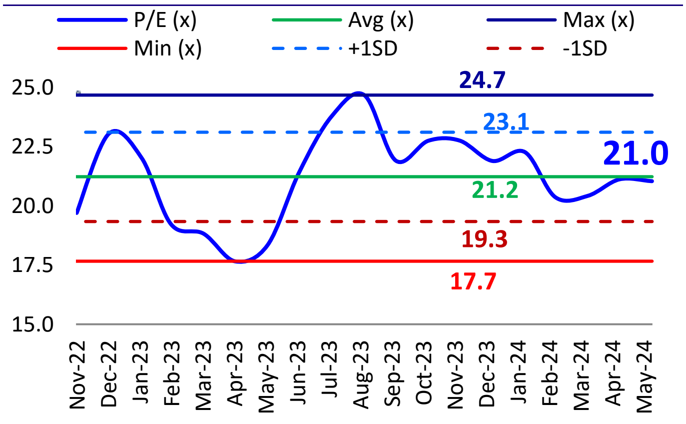
- **Concentration in southern India:** The southern part of India has been prone to natural disasters, including floods and political interference. High geographical concentration in the states of Andhra Pradesh, Tamil Nadu, and Telangana can expose FIVESTAR to adverse experience on collections and asset quality.
- **Could remain a regional player because of unsuccessful forays in newer states:** FIVESTAR is currently a successful regional NBFC with a strong foothold in its core states of southern India. It could well remain that way if the company fails to replicate the same culture and processes in its newer states. This might adversely impact the AUM growth aspirations of the company.
- **Rise in competition:** Competitive landscape in the <INR500K is currently benign. However, there could be more number of SFBs and NBFCs who could get attracted to this segment because of its high profitability. Increase in competition could exert pressure on structurally higher yields in the SBL (ATS <INR500K) segment.
- **Non-availability of SARFAESI:** FIVESTAR has not had to repossess too many properties and has historically resorted to settlements and arbitration. Without access to SARFAESI, FIVESTAR may face difficulties in repossession, potentially leading to asset quality pressures.
- **Asset quality deterioration:** As the company's loan-book continues to mature, the company might exhibit structurally higher delinquencies, translating into higher Stage 3 and significantly higher credit costs.
- **Human Resource availability:** The segment being highly human-intensive, there may be challenges in accessing an adequate pool of skilled human resources at competitive costs. Shortage of qualified Feet on Street (FOS) could impede the company's operational efficiency and growth prospects.

Exhibit 67: Valuation matrix for MSME lenders and affordable housing financiers

Peers	CMP (INR)	MCap (INR b)	BV		P/BV		EPS		P/E		RoA (%)		RoE (%)	
			FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
FIVESTAR	**729**	**213**	**213**	**255**	**3.4**	**2.9**	**35.2**	**43.3**	**20.7**	**16.8**	**7.6**	**7.2**	**18.0**	**18.5**
SBFC Finance	83	88	28	32	2.9	2.6	2.9	3.6	29.0	23.0	3.7	3.8	10.4	11.9
Aptus Housing	322	160	87	100	3.7	3.2	15.1	18.6	21.3	17.3	7.3	7.0	18.5	19.6
Home First	820	75	277	323	3.0	2.5	41.4	51.6	19.8	15.9	3.4	3.4	16.0	17.2
Aavas Financiers	1,600	122	553	648	2.9	2.5	76.0	95.3	21.1	16.8	3.3	3.4	14.8	15.9
India Shelter	603	65	246	283	2.5	2.1	30.1	37.3	20.0	16.2	-	-	13.0	14.1

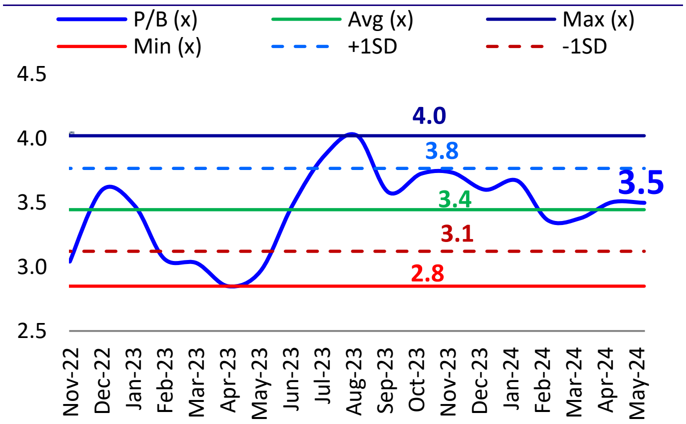
Source: MOFSL, Company; Note: Data for SBFC Finance, Aptus and India Shelter is based on Bloomberg Consensus

Exhibit 68: Five-Star – Trend in PE



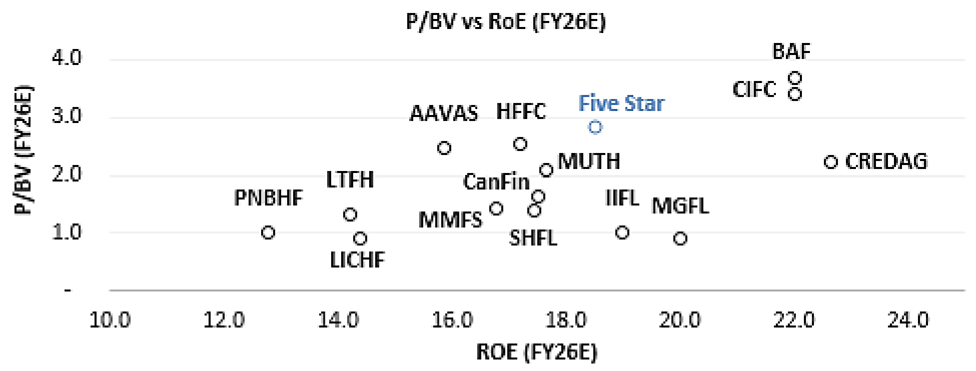
Source: Company, MOFSL

Exhibit 69: Five-Star– Trend in PB



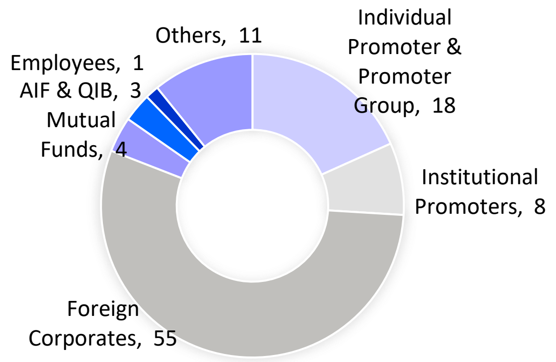
Source: Company, MOFSL

Exhibit 70: Five Star will continue to command premium valuations relative to peers



Source: MOFSL, Company

Exhibit 71: Shareholding pattern as of Mar'24 (%)



Source: MOFSL, Company;
Note: % holding computed on a fully diluted basis, including un-granted, unvested and vested but unexercised options

Du-pont comparison of Five Star with HomeFirst and Aavas

DuPont Analysis	Five Star			HomeFirst			Aavas		
%	**FY24**	**FY25E**	**FY26E**	**FY24**	**FY25E**	**FY26E**	**FY24**	**FY25E**	**FY26E**
Interest Income	20.8	20.9	20.6	12.6	12.4	12.5	11.6	11.9	12.0
Interest Expended	4.6	5.4	5.7	6.1	6.5	6.7	5.5	5.9	5.9
Net Interest Income	**16.2**	**15.5**	**14.8**	**6.5**	**5.9**	**5.8**	**6.1**	**6.0**	**6.1**
Other Income	0.8	0.8	0.8	1.6	1.7	1.6	1.9	1.9	1.8
Total Income	**16.9**	**16.2**	**15.6**	**8.1**	**7.6**	**7.4**	**8.0**	**7.9**	**7.9**
Operating Expenses	**5.4**	**5.4**	**5.3**	**2.8**	**2.8**	**2.7**	**3.6**	**3.5**	**3.3**
Operating Profit	**11.5**	**10.9**	**10.3**	**5.2**	**4.7**	**4.7**	**4.3**	**4.4**	**4.5**
Provisions	0.5	0.7	0.7	0.3	0.3	0.3	0.2	0.2	0.2
PBT	**10.9**	**10.2**	**9.7**	**4.9**	**4.4**	**4.4**	**4.2**	**4.2**	**4.4**
Tax	2.7	2.5	2.4	1.2	1.0	1.0	0.9	0.9	0.9
Tax Rate (%)	*25.1*	*25.0*	*25.0*	*23.6*	*22.7*	*22.7*	*21.4*	*21.4*	*21.4*
PAT	**8.2**	**7.6**	**7.2**	**3.8**	**3.4**	**3.4**	**3.3**	**3.3**	**3.4**
Leverage	2.1	2.4	2.6	4.1	4.7	5.1	4.2	4.5	4.6
RoE	**17.5**	**18.0**	**18.5**	**15.5**	**16.0**	**17.2**	**13.9**	**14.8**	**15.9**

E: MOFSL Estimates

ESG initiatives

Environmental initiatives

- FIVESTAR's operational energy consumption strategy entails the direct use of resources, such as diesel in DG sets at its headquarters (Chennai) and central hub offices in Andhra Pradesh and Karnataka. Additionally, it relies on indirect energy sources, including purchased electricity from the grid. Implementing effective energy-control measures not only aids in reducing its carbon footprint but also facilitates cost reduction, enhances business sustainability, and mitigates risks associated with the evolving climate situation.
- By prioritizing efficient energy management and utilization practices, FIVESTAR stands to gain several sustainability benefits. These include a reduction in carbon emissions, lowered operational costs, strengthened business resilience, and proactive risk mitigation amidst the changing climate landscape. Such strategic energy initiatives align with FIVESTAR's commitment to sustainable business practices.
- FIVESTAR is dedicated to enhancing operational eco-efficiency by transitioning to digital and paperless transactions. All generated e-wastes undergo proper disposal through authorized recyclers in accordance with regulatory standards. No other significant risks or opportunities in waste management are associated with our operations.

CSR initiatives

- Supported 'Swami Vivekananda Rural Development Society' program in Tamil Nadu for promoting education and skill development activities.
- Supported 'Ramakrishna Mission Students Home' for providing education and financial assistance to orphans and underprivileged children.
- installation of RO Plant and support infrastructure for medical camps.

Governance

- The company advocates for sound corporate governance practices, upholds high ethical standards, and ensures compliance with the laws of the land.
- The company will establish effective methodologies, processes, and systems to proactively monitor and evaluate risks associated with its operations. This ensures timely identification and management of potential risks.
- The company prioritizes effective IT resource management to drive business success. This includes approving strategy and policy documents, ensuring robust planning processes, and aligning IT initiatives with overarching business goals. Vigilant monitoring of investments ensures a balanced risk-reward ratio within budgetary constraints. Oversight of IT resource allocation supports strategic objectives, maintaining a sustainable investment approach while managing associated risks.

Bull and Bear cases

Bull Case

- ☑ In our bull case, we assume a ~35% AUM CAGR, driven by a ~33% disbursement CAGR over FY24-FY26E
- ☑ We expect spreads and margins to decline ~120bp/160bp (driven by financial leverage) to ~15.6%/18.3% respectively, by FY26
- ☑ We estimate NII and PPOP CAGR of ~29%/31% respectively, over FY24-26 on account of strong loan growth and the company's ability to deliver operating efficiencies.
- ☑ We estimate cost ratios to improve over the next three years. Average credit costs of ~75bp-80bp can lead to PAT CAGR of ~30% over FY24-FY26.

Bear Case

- ☑ In our bear case, we assume a ~27% AUM CAGR over FY24-FY26
- ☑ We expect spreads to decline ~180bp and NIM to decline ~210bp by FY26
- ☑ We estimate NII and PPOP CAGR of ~23%/19%, respectively over FY24-26
- ☑ Average credit costs of ~1.1% to drive PAT CAGR of ~17% over FY24-FY26

Exhibit 72: Bull case scenario

INR m	FY24	FY25E	FY26E
AUM	96,406	130,967	174,744
Growth (%)	39	36	33
NIM (%)	19.9	18.7	18.3
NII	16,481	21,102	27,470
PPoP	11,713	15,091	19,955
Credit Costs	554	926	1,125
PBT	11,160	14,165	18,830
PAT (post-NCI)	8,359	10,624	14,123
Growth (%)	39	27	33
RoA (%)	8.2	7.8	7.9
RoE (%)	17.5	18.5	20.3
BV (INR)	178	214	261
Target PV multiple (FY26E)			**4.0**
Target price (INR)			**1,050**
Upside (%)			**44%**

Source: MOFSL, Company

Exhibit 73: Bear case scenario

INR m	FY24	FY25E	FY26E
AUM	96,406	125,610	156,698
Growth (%)	39	30	25
NIM (%)	19.9	18.5	17.8
NII	16,481	20,367	24,623
PPoP	11,713	14,120	16,703
Credit Costs	554	1,232	1,550
PBT	11,160	12,889	15,154
PAT (post-NCI)	8,359	9,666	11,365
Growth (%)	39	16	18
RoA (%)	8.2	7.2	6.7
RoE (%)	17.5	17.0	16.9
BV (INR)	178	211	249
Target PV multiple (FY26E)			**2.5**
Target price (INR)			**621**
Upside (%)			**-15%**

Source: MOFSL, Company

SWOT analysis

- ☑ 100% in-house sourcing, comprehensive credit assessment and robust risk management and collections framework, leading to good asset quality
- ☑ Industry-leading asset quality with GS3 of <1.5% and NS3 of <1%.

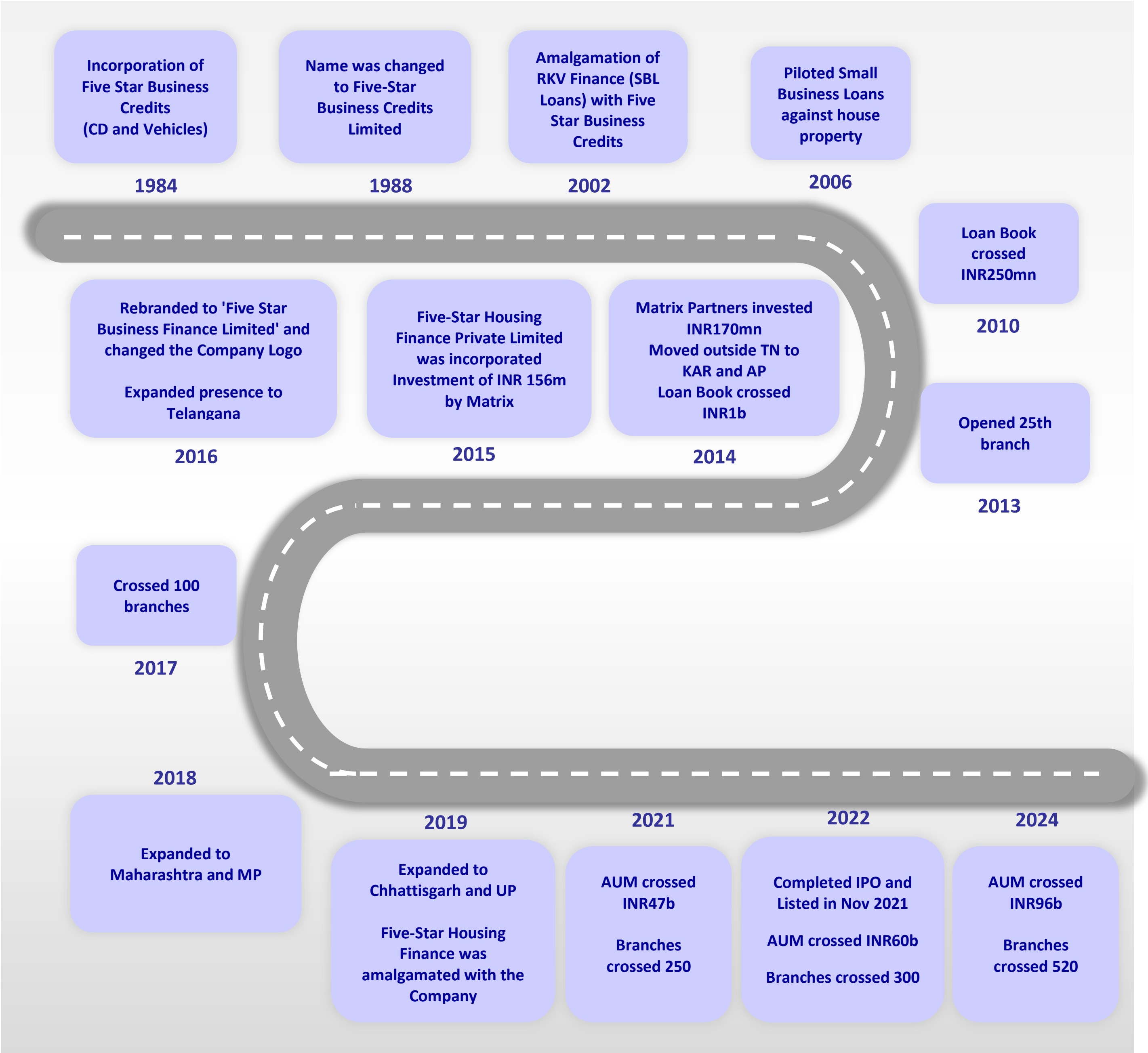
- ☑ High geographical concentration in the states of Andhra Pradesh, Tamil Nadu, and Telangana can expose FIVESTAR to adverse experience on collections and asset quality.
- ☑ FIVESTAR has historically resorted to settlements and arbitration. Without access to SARFAESI, FIVESTAR may face difficulties in repossession, potentially leading to asset quality pressures.

- ☑ Ability to successfully expand to new underpenetrated geographies through a calibrated expansion strategy
- ☑ Investment in technology and data analytics to build a scalable and efficient operating model / to improve customer experience, increase productivity, and reduce costs

- ☑ Increasing competition from SFBs, other major NBFCs, and MFIs entering this segment due to its high profitability poses risks to both growth and margins.
- ☑ Unanticipated changes in regulatory norms

Company timeline

Five Star has gone from strength to strength over the last decade



Source: Company

Management Team

Mr. Lakshmipathy Deenadayalan
Chairman and MD

Mr. Lakshmipathy had earlier served as MD of RKV Finance. He joined Five Star as JMD in 2002 and has spearheaded SBL for the last two decades. Under his leadership, AUM of the company grew from INR100m to close to ~INR100b, branches grew from 5 to over 500, and profits rose to ~USD100m in FY24.

Mr. Rangarajan Krishnan
Chief Executive officer

Mr. Rangarajan started his career with HDFC Bank and then moved on to Standard Chartered Bank. For five years prior to joining Five Star, he was with Spark Capital, where he headed its investment banking initiatives across the financial services and consumer sectors. He has been with Five Star for close to a decade.

Mr. Srikanth Gopalakrishnan
Chief Financial officer

Mr. Srikanth has a experience of about 15 years across multiple functions. He spent the first eight years of his career in Citibank and in other Citigroup entities across various functions, such as FP&A, Securitization and Structuring, Treasury, and Operations. He has also been with Five Star for close to a decade.

Mr. Vishnuram Jagannathan
Chief Operating officer

Mr. Jagannathan is an experienced banking professional with over 15 years of experience across transaction banking and operations. Prior to joining Five Star, he was the VP at Deutsche Bank, heading the transaction banking of the bank in TN and AP

Mr. Parthasarathy Srinivasan
Chief Credit officer

Mr. Srinivasan is a CA with 14+ years of banking experience. He started his career with ICICI Bank and then moved to Standard Chartered Bank as a Credit Analyst. His last assignment was with DBS Bank, where he worked in the Risk Analytical Unit of Large Corporates

Mr. Sathya Ganesh Thirumalaidoss
Chief Business officer

Mr. Thirumalaidoss has 18+ years of experience with Banks & NBFCs and had worked with earlier worked with ICICI Bank, Cholamandalam, and Equitas. At FIVESTAR, he heads the Business and Collections vertical of Tamil Nadu, Andhra Pradesh, and Telangana.

Mr. Vanamali Sridharan
Chief Technology officer

Mr. Sridharan is a banking and financial services professional with over three decades of experience in the industry. He has spent many years with international banks, such as Standard Chartered & Natwest Group in global roles across various businesses and functions.

Mr. Jayaraman Sankaran
Chief Risk officer

Mr. Sankaran is a qualified CA and comes with about 22 years of work experience in areas of Credit, Finance & Treasury. He was with Redington for over 15 years handling areas such as Credit Management, Investor Relations, Indirect Taxation and Internal Audit.

Mr. Naveen Raj
Chief Audit officer

Mr. Naveen Raj is a CA with more than 16+ years of experience & has previously worked with leading audit firms such as B S R & Co. LLP (KPMG) & Deloitte. He was the Audit Director in B S R & Co. LLP and was pivotal in building the Financial Services sector practice in the audit firm.

Mr. Ramesh Kannah
Chief Legal officer

Mr. Kannah has over 22 years of experience, specializing in Collections & Recoveries. Prior to Five-Star, he was the Head – Collections (Legal) in Piramal Capital & Housing Finance ("DHFL"). He had also worked in Legal divisions of Banks and NBFCs like Citi Bank, ICICI Bank, HDFC Bank and Cholamandalam.

Mr. M Sai Suryanarayana
Chief People officer

Mr. Suryanarayana comes with 26 years of experience and has worked with ING Vysya Bank, Toyota Financial and AU Small Finance Bank. Prior to joining Five Star, he worked as Chief People Officer at Fincare Small Finance Bank.

Mr. Prashanth S
Chief Treasury officer

Mr. Prashanth has more than 16 years' cross-functional experience across industry and advisory, of which the last 7 years have been spent working with a number of corporates across industries shepherding various fund-raise proposals from banks, FIs etc.

Board of Directors

Lakshmipathy Deenadayalan
Chairman and MD

Mr. Deenadayalan had earlier served as MD of RKV Finance, an NBFC registered with RBI. On amalgamation of RKV with Five Star in 2002, he joined the Board of Five Star as Joint MD. He is also Director, Finance Companies Association of India and Management Committee member.

Anand Raghavan
Independent Director

Mr. Raghavan is a Chartered Accountant with over 30 years of industry experience. He worked in Sundaram Finance for over 20 years, occupying several positions in Finance and Audit. He also worked as a Partner in Ernst & Young LLP, covering Tax and Regulatory aspects of various industries such as financial services, real estate, auto and auto components, media and entertainment.

Bhama Krishnamurthy
Independent Director

Mrs. Krishnamurthy was Country Head and Chief General Manager of SIDBI and has closely dealt with Multilateral and Bilateral Agencies in close co-ordination with the Government of India. Her areas of specialization include overseeing the Human Resources Development Division, managing promotion aspects, and drafting CSR policies.

Srinivasaraghavan T T
Independent Director

Mr. Srinivasaraghavan began his career as a banker, before moving to Sundaram Finance Limited in 1983 as a department manager in the company. In 2003, he was elevated as the Managing Director of Sundaram Finance until his retirement in March' 21.

Ramkumar Ramamoorthy
Independent director

Mr. Ramamoorthy spent over 22 years at Cognizant, where he built about half a dozen portfolios and retired as Chairman and MD of Cognizant India. Prior to joining Cognizant, Mr. Ramamoorthy worked for TCS. He is now a Partner at Catalincs, a strategic advisory firm that helps small tech companies scale and grow.

Thirulokchand Vasan
Non-Executive Director

Mr. Vasan is a Hotel Management Graduate with over 17 years of experience in the Hospitality business. His areas of expertise include Team Management, Customer satisfaction, and Process Optimization.

Financials and valuations

Income statement								INR m
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**
Interest Income	3,897	7,468	10,149	12,038	14,988	21,166	28,205	35,940
Interest Expended	769	2,174	3,279	3,006	2,663	4,685	7,290	10,006
Net Interest Income	**3,129**	**5,295**	**6,870**	**9,032**	**12,325**	**16,481**	**20,916**	**25,934**
Change (%)		69	30	31	36	34	27	24
Other Income	192	405	364	524	301	785	1,049	1,357
Net Income	**3,321**	**5,700**	**7,234**	**9,556**	**12,627**	**17,266**	**21,965**	**27,291**
Change (%)		72	27	32	32	37	27	24
Operating Expenses	1,061	1,713	2,118	3,058	4,378	5,553	7,242	9,265
Operating Income	**2,260**	**3,986**	**5,116**	**6,497**	**8,249**	**11,713**	**14,724**	**18,025**
Change (%)		76	28	27	27	42	26	22
Provisions/write offs	76	493	352	455	201	554	993	1,140
PBT	**2,184**	**3,493**	**4,764**	**6,042**	**8,048**	**11,160**	**13,731**	**16,885**
Tax	618	874	1,174	1,507	2,012	2,800	3,433	4,221
Tax Rate (%)	28.3	25.0	24.7	24.9	25.0	25.1	25.0	25.0
Reported PAT	**1,567**	**2,620**	**3,590**	**4,535**	**6,035**	**8,359**	**10,298**	**12,664**
Change (%)		67	37	26	33	39	23	23
Proposed Dividend (incl. tax)	0	0	0	0	0	0	292	585

Balance sheet								
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**
Capital	239	254	255	291	291	292	292	292
Reserves & Surplus	13,412	19,190	22,925	36,812	43,104	51,669	61,967	74,339
Net Worth	**13,651**	**19,444**	**23,180**	**37,104**	**43,395**	**51,962**	**62,260**	**74,631**
Borrowings	9,600	23,637	34,252	25,588	42,473	63,158	88,708	1,17,603
Change (%)		146.2	44.9	-25.3	66.0	48.7	40.5	32.6
Other liabilities	247	451	504	739	1,160	1,768	2,563	3,589
Total Liabilities	**23,498**	**43,532**	**57,936**	**63,431**	**87,028**	**1,16,888**	**1,53,530**	**1,95,822**
Loans	20,959	38,308	43,587	51,024	68,222	96,851	1,26,725	1,63,337
Change (%)		82.8	13.8	17.1	33.7	42.0	30.8	28.9
Investments	0	0	0	2,482	1,446	1,077	1,131	1,244
Change (%)					-41.7	-25.5	5.0	10.0
Net Fixed Assets	95	279	249	328	449	643	804	1,005
Other assets	2,445	4,945	14,100	9,597	16,914	18,318	24,871	30,237
Total Assets	**23,498**	**43,532**	**57,936**	**63,431**	**87,030**	**1,16,889**	**1,53,530**	**1,95,822**

E: MOFSL Estimates

Financials and valuations

AUM Mix (%)								(INR M)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**
AUM	21,128	38,922	44,454	50,671	69,148	96,406	1,29,014	1,66,397
YoY Growth (%)		**84**	**14**	**14**	**36**	**39**	**34**	**29**
Disbursements	14,822	24,087	12,451	17,562	33,915	48,814	63,458	79,957
YoY Growth (%)		**63**	**-48**	**41**	**93**	**44**	**30**	**26**

E: MOFSL Estimates

Ratios

Growth %	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**
AUM	110	84	14	14	36	39	34	29
Disbursements	110	63	-48	41	93	44	30	26
Total Assets	104	85	33	9	37	34	31	28
NII	140	69	30	31	36	34	27	24
PPOP	170	76	28	27	27	42	26	22
PAT	194	67	37	26	33	39	23	23
EPS	136	57	37	10	33	38	23	23

								(%)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**
Spreads Analysis (%)								
Yield on loans	25.2	25.2	24.8	25.4	25.1	25.6	25.2	24.8
Cost of funds	10.2	13.1	11.3	10.0	7.8	8.9	9.6	9.7
Spread	15.0	12.1	13.5	15.4	17.3	16.8	15.6	15.1
Net Interest Margin	20.0	17.6	16.5	19.0	20.6	19.9	18.7	17.9
Profitability Ratios & Capital Structure (%)								
Debt-Equity ratio	0.7	1.2	1.5	0.7	1.0	1.2	1.4	1.6
Capital adequacy - CRAR	64.1	52.9	58.9	75.2	67.2	50.5	41.1	35.3
Leverage	1.7	2.2	2.5	1.7	2.0	2.2	2.5	2.6
Int. Expended/Int.Earned	19.7	29.1	32.3	25.0	17.8	22.1	25.8	27.8
RoA	**8.9**	**7.8**	**7.1**	**7.5**	**8.0**	**8.2**	**7.6**	**7.2**
RoE	**16.0**	**15.8**	**16.8**	**15.0**	**15.0**	**17.5**	**18.0**	**18.5**
Cost/Productivity Ratios (%)								
Cost/Income	31.9	30.1	29.3	32.0	34.7	32.2	33.0	34.0
Op. Exps./Avg Assets		5.1	4.2	5.0	5.8	5.4	5.4	5.3
Op. Exps./Avg AUM		5.7	5.1	6.4	7.3	6.7	6.4	6.3
Other Inc./Net Income	5.8	7.1	5.0	5.5	2.4	4.5	4.8	5.0
AUM/employee (INR m)	10.7	10.4	11.3	8.9	9.4	10.3	11.0	12.5
AUM/ branch (INR m)	122.1	154.5	169.7	168.9	185.4	185.4	208.1	237.7
Empl. Cost/Op. Exps. (%)	72.2	74.2	77.3	77.2	79.1	77.2	76.3	75.8
Asset Quality								
Gross NPAs (INR m)	181	532	452	530	939	1,328	2,203	3,124
Gross NPA (%)	**0.9**	**1.4**	**1.0**	**1.0**	**1.4**	**1.4**	**1.7**	**1.9**
Net NPAs (INR m)	139	438	371	345	476	607	2,053	2,669
Net NPA (%)	0.7	1.1	0.8	0.7	0.7	0.6	1.6	1.6
PCR (%)	**22.9**	**17.7**	**18.0**	**34.9**	**49.3**	**54.3**	**55.0**	**56.0**
Credit costs (% of gross loans)	**0.5**	**1.6**	**0.8**	**1.0**	**0.3**	**0.7**	**0.9**	**0.8**

VALUATION	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**
Book Value (INR)	57	77	91	127	149	178	213	255
Price-BV (x)	**12.8**	**9.5**	**8.0**	**5.7**	**4.9**	**4.1**	**3.4**	**2.9**
EPS (INR)	7	10	14	16	21	29	35	43
EPS Growth YoY		57	37	10	33	38	23	23
Price-Earnings (x)	**111**	**71**	**52**	**47**	**35**	**26**	**21**	**17**
DPS (INR)	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0
Dividend yield (%)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**	**0.3**

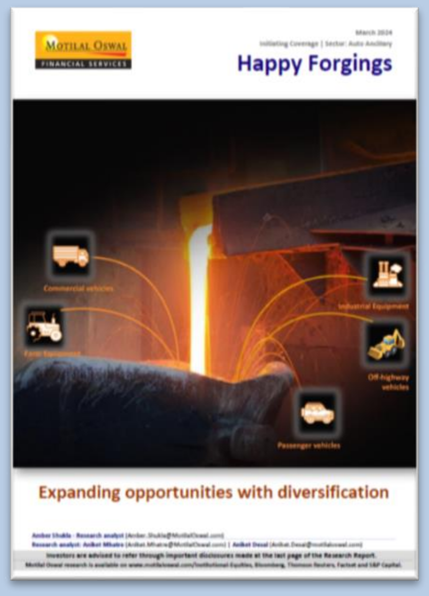
E: MOFSL Estimates

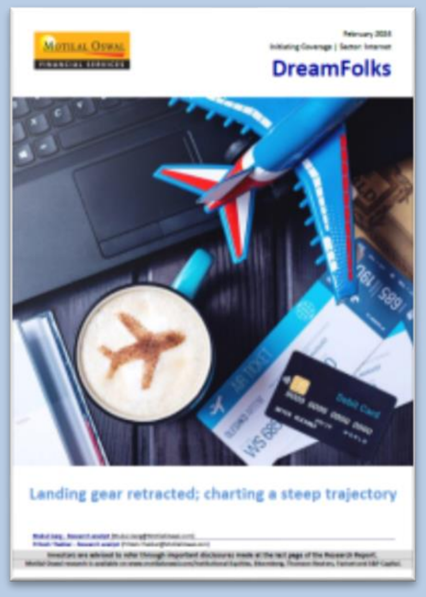
DuPont Analysis

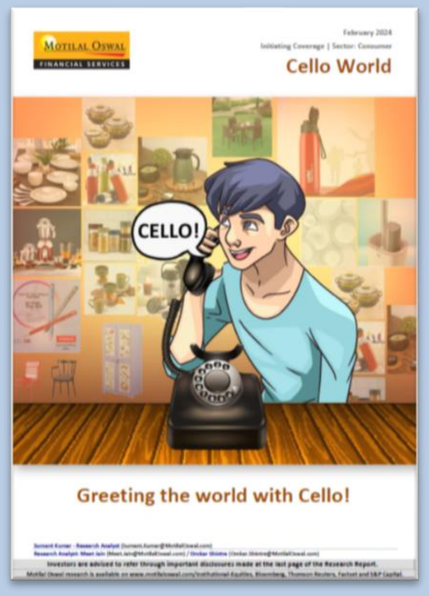
%	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	22.3	22.3	20.0	19.8	19.9	20.8	20.9	20.6
Interest Expended	4.4	6.5	6.5	5.0	3.5	4.6	5.4	5.7
Net Interest Income	**17.9**	**15.8**	**13.5**	**14.9**	**16.4**	**16.2**	**15.5**	**14.8**
Other Income	1.1	1.2	0.7	0.9	0.4	0.8	0.8	0.8
Total Income	**19.0**	**17.0**	**14.3**	**15.7**	**16.8**	**16.9**	**16.2**	**15.6**
Operating Expenses	**6.1**	**5.1**	**4.2**	**5.0**	**5.8**	**5.4**	**5.4**	**5.3**
Operating Profit (PPoP)	**12.9**	**11.9**	**10.1**	**10.7**	**11.0**	**11.5**	**10.9**	**10.3**
Provisions	0.4	1.5	0.7	0.8	0.3	0.5	0.7	0.7
PBT	**12.5**	**10.4**	**9.4**	**10.0**	**10.7**	**10.9**	**10.2**	**9.7**
Tax	3.5	2.6	2.3	2.5	2.7	2.7	2.5	2.4
Tax Rate (%)	*28.3*	*25.0*	*24.7*	*24.9*	*25.0*	*25.1*	25.0	25.0
PAT	**8.9**	**7.8**	**7.1**	**7.5**	**8.0**	**8.2**	**7.6**	**7.2**
Leverage	1.8	2.0	2.4	2.0	1.9	2.1	2.4	2.6
RoE	**16.0**	**15.8**	**16.8**	**15.0**	**15.0**	**17.5**	**18.0**	**18.5**

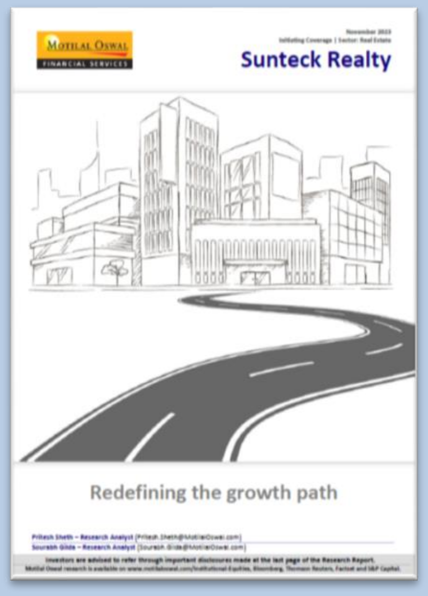
E: MOFSL Estimates

RECENT INITIATING COVERAGE REPORTS









N O T E S

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL),NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the"1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets (Singapore) Pte. Ltd. ("MOCMSPL") (UEN 201129401Z), which is a holder of a capital markets services license and an exempt financial adviser in Singapore.This report is distributed solely to persons who (a) qualify as "institutional investors" as defined in section 4A(1)(c) of the Securities and Futures Act of Singapore ("SFA") or (b) are considered "accredited investors" as defined in section 2(1) of the Financial Advisers Regulations of Singapore read with section 4A(1)(a) of the SFA. Accordingly, if a recipient is neither an "institutional investor" nor an "accredited investor", they must immediately discontinue any use of this Report and inform MOCMSPL .

In respect of any matter arising from or in connection with the research you could contact the following representatives of MOCMSPL. In case of grievances for any of the services rendered by MOCMSPL write to grievances@motilaloswal.com.

Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
Contact: (+65) 8328 0276

Specific Disclosures

1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
5 Research Analyst has not served as director/officer/employee in the subject company
6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:
- financial interest in the subject company

- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN .: 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.