29 July 2025

1QFY26 Result Update | Sector: NBFCs

Five Star Business Finance

Estimate changes	↓
TP change	↓
Rating change	↔

Bloomberg	FIVESTAR IN
Equity Shares (m)	294
M.Cap.(INRb)/(USDb)	191.2 / 2.2
52-Week Range (INR)	944 / 592
1, 6, 12 Rel. Per (%)	-11/-20/-16
12M Avg Val (INR M)	1119

Financials Snapshot (INR b)

Y/E March	FY25	FY26E	FY27E
NII	21.0	24.6	28.5
PPoP	15.2	17.1	19.6
PAT	10.7	11.4	13.7
EPS (INR)	36	39	47
EPS Gr. (%)	27	6	20
BV/Sh. (INR)	214	251	296
Ratios			
NIM (%)	19.6	18.8	17.4
C/I ratio (%)	30.9	33.5	34.3
Credit costs	0.8	1.5	0.8
RoAA (%)	8.2	7.1	7.0
RoAE (%)	18.7	16.6	17.0
Dividend payout	5.5	2.6	4.3
Valuations			
P/E (x)	17.8	16.8	14.0
P/BV (x)	3.0	2.6	2.2
Div. yield (%)	0.3	0.2	0.3

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	21.5	21.5	26.5
DII	9.5	9.1	6.1
FII	58.1	58.8	57.5
Others	10.9	10.7	10.0

FII Includes depository receipts

CMP: INR650 TP: INR800 (+23%) Buy

Elevated slippages lead to sharp deterioration in asset quality

Weak quarter with high credit costs and moderation in AUM growth

- Five Star Business Finance's (FIVESTAR) 1QFY26 PAT grew 6% YoY to INR2.7b (in line). 1QFY26 NII grew ~20% YoY to INR5.8b (in line), while PPoP rose ~14% YoY to INR4b (in line). Other income declined 6% YoY to INR265m, primarily due to a decline in investment income.
- Opex grew ~29% YoY to INR2b (in line). Credit costs stood at INR254m (~9% lower than MOFSLe) and annualized credit costs rose sharply to ~1.3% (PY: ~74bp and PQ: ~73bp).
- Rangarajan Krishnan (Jt-MD & CEO) has decided to step down to pursue an entrepreneurial venture. Mr. Lakshmipathy Deenadayalan (MD), along with the support of his senior leadership team, will now lead all operational responsibilities in the company.
- AUM grew 20% YoY/5% QoQ to ~INR125b. AUM growth was weak, primarily due to a recalibration in the underwriting, which led to disbursements declining 2% YoY. This was driven by weak collections and asset quality stress during the quarter. FIVESTAR, however, reiterated its full-year AUM growth guidance of ~25% for FY26.
- Management acknowledged that the asset quality stress during the quarter was attributed to over-leveraging, high customer indebtedness, and low financial literacy, especially among small-ticket borrowers. The company also admitted to entering certain riskier colonies and customer segments, where weak repayment behavior further aggravated asset quality pressures.
- FIVESTAR shared that stress in Karnataka (~6% of the AUM) was driven by the MFI ordinance. However, in Andhra Pradesh, the company faced heightened stress in the INR100-300K ticket segment, partly due to exposure to riskier customer cohorts.
- While the company shared that it was witnessing early signs of improvement in Jul'25, it guided for 2QFY26 to be a stabilization phase, with credit costs likely to remain elevated. However, it anticipates improvement in asset quality and credit costs from 2HFY26 onwards.
- *The weakening asset quality in the micro-LAP segment appears to stem from stress initially seen in unsecured small-ticket loans, now gradually spilling into the small-ticket secured space. We believe the credit cycle in micro-LAP (particularly in loans below INR500K) is lagging the MFI credit cycle by 6-9 months.*
- FIVESTAR remains well-positioned to manage this phase, supported by: 1) its tighter underwriting on fresh disbursements and 2) robust recovery infrastructure, including the effective legal follow-through. We estimate the company to post a CAGR of ~25%/~13% in AUM/PAT over FY25-27. Despite a moderation in NIM and slightly higher credit costs, FIVESTAR can deliver a healthy RoA/RoE of 7%/17% in FY27E. **Reiterate BUY with a TP of INR800 (based on 2.7x Mar'27E BV).**

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

Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com) | **Raghav Khemani** (Raghav.khemani@MotilalOswal.com)

Reported spreads decline due to moderation in yields

- Reported yield declined ~20bp QoQ to 23.5%. CoB also declined QoQ ~10bp QoQ to 9.55%. Reported spreads declined ~10bp QoQ to 14%. Reported NIM declined ~40bp QoQ to ~16.4%. Incremental CoF declined ~70bp QoQ to ~8.6%.
- The company does not foresee any pricing pressure in the INR500K-1m ticket size and does not expect a negative impact on NIMs from its shift to a slightly higher ticket size and an evolving loan mix. We model NIMs to contract to 18.8%/17.4% in FY26/FY27E (FY25: 19.6%).

Sharp deterioration in asset quality; non-cash collection improves

- GS3/NS3 rose ~70bp/40bp QoQ to ~2.45% and 1.25%, respectively. S3 PCR declined ~125bp QoQ to ~50%.
- Overall collection efficiency (CE) stood at 96.3% (PQ: 97.7%). Unique loan collections (due one, collect one) stood at 95.1% (PQ: 96.2%). *The current portfolio declined to 82.4% (PQ: 84.3%). Stage 2 rose ~1pp QoQ to ~8.9%. 30+ dpd rose ~165bp QoQ to 11.3% and 1+dpd increased ~185bp QoQ to 17.6%.* We model credit costs (as a % of avg. assets) of ~120bp/70bp in FY26/27E.
- FIVESTAR has undertaken operational changes to mitigate stress and improve portfolio quality, such as: 1) consciously reducing exposure to the <INR300K ticket size segment, 2) avoiding disbursements in high-risk colonies and customer segments, 3) shifting focus toward financially literate borrowers, and 4) placing greater emphasis on assessing customer leverage before sanctioning loans, with increased scrutiny of their household debt profile and LTVs.

Disbursements decline ~2% YoY; profitability weak

- Disbursements declined ~2% YoY and ~12% QoQ to ~INR12.9b.
- 1QFY26 RoA/RoE stood at 7.2%/16.6%, respectively, and capital adequacy stood at ~49.2% as of Jun'25.

Highlights from the management commentary

- Management highlighted that collections during Apr-Jun'25 were below the company's internal benchmarks. However, Jul'25 saw a meaningful improvement, and this positive trend is expected to continue into Aug-Sep'25.

Valuation and view

- FIVESTAR reported a weak operational performance during the quarter, marked by muted disbursements and subdued AUM growth. Asset quality deteriorated sharply, as reflected in a significant rise in 30+ dpd, resulting in elevated credit costs of ~1.3%. Additionally, spreads and margins contracted further, primarily due to a decline in yields.
- The stock currently trades at 2.2x FY27E P/BV. We estimate FIVESTAR to post a CAGR of ~25%/13% in AUM/PAT over FY25-FY27, along with RoA/RoE of 7%/17% in FY27E. **Reiterate our BUY rating on the stock with a TP of INR800 (premised on 2.7x Mar'27E P/BV).**

Quarterly Performance **(INR m)**

Y/E March	FY25				FY26E				FY25	FY26E	1QFY26E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	6,411	6,793	7,112	7,347	7,647	7,937	8,310	8,716	27,663	32,611	7,604	1
Interest Expenses	1,582	1,631	1,714	1,753	1,873	1,929	2,045	2,163	6,680	8,009	1,856	1
Net Interest Income	**4,829**	**5,161**	**5,399**	**5,594**	**5,774**	**6,008**	**6,266**	**6,554**	**20,983**	**24,602**	**5,748**	**0**
YoY Growth (%)	*31.4*	*29.6*	*28.3*	*21.2*	*19.6*	*16.4*	*16.1*	*17.2*	*27.3*	*17.2*	*19.0*	
Other Income	283	266	198	250	265	281	283	308	997	1,136	161	64
Total Income	**5,112**	**5,427**	**5,597**	**5,844**	**6,039**	**6,289**	**6,548**	**6,862**	**21,980**	**25,738**	**5,909**	**2**
YoY Growth (%)	*32.0*	*30.3*	*26.8*	*21.4*	*18.1*	*15.9*	*17.0*	*17.4*	*27.3*	*17.1*	*15.6*	
Operating Expenses	1,565	1,627	1,713	1,880	2,012	2,130	2,211	2,275	6,785	8,628	1,995	1
Operating Profit	**3,547**	**3,800**	**3,884**	**3,964**	**4,027**	**4,159**	**4,337**	**4,587**	**15,196**	**17,110**	**3,914**	**3**
YoY Growth (%)	*35.9*	*36.9*	*29.4*	*19.2*	*13.5*	*9.4*	*11.7*	*15.7*	*29.7*	*12.6*	*10.3*	
Provisions & Loan Losses	185	218	233	254	478	550	495	410	890	1,932	299	60
Profit before Tax	**3,362**	**3,582**	**3,651**	**3,711**	**3,550**	**3,609**	**3,843**	**4,177**	**14,306**	**15,178**	**3,614**	**-2**
Tax Provisions	846	903	913	919	886	902	968	1,053	3,581	3,810	911	-3
Net Profit	**2,516**	**2,679**	**2,739**	**2,791**	**2,663**	**2,707**	**2,874**	**3,124**	**10,725**	**11,369**	**2,703**	**-1**
YoY Growth (%)	37	34	26	18	6	1	5	12	*28.3*	*6.0*	*7.5*	
Key Parameters (%)												
Yield on loans	25.7	25.5	25.7	25.5	25.1	24.8	24.6	24.4				
Cost of funds	9.7	9.6	9.6	9.2	9.5	9.5	9.3	9.1				
Spread	16.0	16.0	16.1	16.3	15.7	15.3	15.3	15.2				
NIM	19.3	19.4	19.5	19.41	18.98	18.8	18.6	18.3				
Credit cost	0.74	0.69	0.71	0.73	1.31	1.75	1.49	1.17				
Cost to Income Ratio (%)	30.6	30.0	30.6	32.2	33.3	33.9	33.8	33.2				
Tax Rate (%)	25.2	25.2	25.0	24.8	25.0	25.0	25.2	25.2				
Performance ratios (%)												
AUM/Branch (INR m)	189	165.6	153.3	158.8	162							
Balance Sheet Parameters												
AUM (INR B)	103.4	109.3	111.8	118.8	124.6	131.1	139.0	147.3				
Change YoY (%)	36.4	32.2	25.2	23.2	20.4	20.0	24.3	24.0				
Disbursements (INR B)	**13.2**	**12.5**	**9.4**	**14.6**	**12.9**	**14.1**	**16.0**	**17.1**				
Change YoY (%)	16.5	3.9	-22.2	9.2	-2.1	13.0	70.0	17.2				
Borrowings (INR B)	67.2	68.8	73.6	79.2	78.7	83.7	91.3	98.2				
Change YoY (%)	55.8	42.8	27.1	25.4	17.1	21.6	24.0	23.9				
Borrowings/Loans (%)	65.0	63.0	65.9	66.7	63.2	63.8	65.7	66.6				
Debt/Equity (x)	1.1	1.1	1.1	1.1	1.1	1.2	1.3	1.3				
Asset Quality (%)												
GS 3 (INR M)	**1,454**	**1,604**	**1,808**	**2,123**	**3,070**							
G3 %	**1.41**	**1.5**	**1.6**	**1.8**	**2.46**							
NS 3 (INR M)	**697**	**773**	**901**	**1,034**	**1,534**							
NS3 %	**0.7**	**0.7**	**0.8**	**0.9**	**1.3**							
PCR (%)	**52.1**	**51.8**	**50.2**	**51.3**	**50.0**							
ECL (%)	**1.6**	**1.6**	**1.7**	**1.6**	**1.9**							
Return Ratios (%)												
ROA (Rep)	8.2	8.4	8.1	8.0	7.2							
ROE (Rep)	18.95	19.0	18.5	18.4	16.57							

E: MOFSL Estimates

CONFERENCE CALL

Highlights from the management commentary

Guidance

- Full-year PAT growth guidance stands at 12-15% and AUM growth of 25% remains unchanged.
- Credit cost guidance increased to ~1.2-1.25% for FY26.
- Full-year cost of borrowing is expected to be at ~8.75%.
- Over the medium term, the company aims to post a 25% CAGR. The only change the company has made is in credit costs.
- The company has guided for RoA to settle at 7% and RoE of 18-20% over the next three years.
- The company expects 2QFY26 to be a stabilization phase and expects improvement from 2HFY26 onwards.
- From 2HFY26 onwards, the company expects improvement in growth, asset quality, and credit costs, along with better collection efficiency.

Opening remarks

- Management emphasized that better underwriting and collection practices directly correlate with lower portfolio stress, and peers with more prudent practices are witnessing comparatively less stress.
- The current challenges are driven by over-leveraging, high indebtedness, and low financial literacy, especially among small-ticket borrowers.
- Segments like microfinance, unsecured personal loans, and credit cards are seeing elevated stress.
- The Karnataka ordinance has further worsened the situation for many lenders.
- The challenges for FIVESTAR are more pronounced among borrowers with average ticket sizes below INR300k, particularly in risk-prone residential colonies and segments.

Operational changes and remedies

- The company has deliberately slowed down exposure to loans to below INR300k and is now focusing on the INR500k-1m bracket. However, its sweet spot is at INR300k-500k.
- The company is actively avoiding disbursals in risky colonies or customer segments where it previously entered and is now facing higher stress.
- Customer leverage is now being checked more stringently prior to sanctioning loans, with increased emphasis on LTVs and overall debt profile.
- Underwriting norms are being revised to prioritize financially literate customers who are less likely to over-leverage.
- The company is also avoiding loans to customer segments where multiple family members are involved in the same self-employed occupation.
- The new guardrails introduced by MFIN are expected to ensure no new over-leveraging pain is caused in the system.
- The company is also consciously avoiding agri-loans and borrower profiles with seasonal incomes.
- Customers with higher loan requirements and better credit behavior are now being prioritized to reduce future stress.

Early signs of stabilization

- The industry-wide credit expansion in unsecured loans and MFI is tapering off, signaling improved credit discipline.
- Guardrails introduced by MFIN are expected to help prevent further over-leveraging.
- Several unsecured lenders have already written off their bad loans, but as a secured lender, FIVESTAR expects to recover dues over time.
- July collections have shown a visible improvement over April, signaling early signs of recovery.

Financial performance

- The company deliberately slowed disbursements to prioritize collections, leading to flat disbursements and muted AUM growth.
- The company opened 19 new branches during the quarter, indicating continued investments in infrastructure and long-term growth.
- Customer base now stands at 480k.
- Yield dropped 20bp QoQ, and the cost of borrowing declined 10bp due to repo rate cuts.
- Incremental borrowings were raised at 8.59%, ~70bp lower than the previous quarter.
- Cost-to-income ratio increased slightly due to salary increments.
- Credit cost rose significantly from 0.7% to 1.3%, driven by elevated stress.
- The company has taken multiple remedial actions to preserve balance sheet strength.
- Liquidity position remains comfortable, although borrowings were limited during the quarter. The company expects a credit rating upgrade in the coming quarters.

Asset quality and collections

- Collections during April-June were below internal benchmarks, but July collections improved meaningfully, with expectations of further improvement in August and September.
- Flow rates from current buckets (30-90 DPD) have seen some deterioration, particularly in the 31-60 bucket, but stabilization is underway.
- The company has 100+ officers in the legal team and 2,000+ officers in the collection team who exclusively focus on overdue accounts.
- An additional 200 collection officers were deployed in geographies showing higher stress.
- In Karnataka (6% of AUM), the NPA increase is estimated to be only INR200m. Significant stress was observed in Andhra Pradesh due to a larger base and exposure to smaller ticket loans.
- TN and Telangana continue to perform well.
- Overlap with MFI borrowers rose from 15% in Dec'24 to 22% as of now, increasing stress levels.
- Senior leaders across credit and collections are well-equipped to manage current stress.

- The company has improved its recovery rate from 90+dpd accounts, with INR120-140m recovered from NPAs in FY25. During the year, the company expects INR700-800m of recoveries from NPA accounts.

Ticket sizes

- The INR500k-1m ticket size segment is not new for FIVESTAR; it already comprises 15% of the book.
- The company plans to raise this segment to 20-25% of the portfolio in the medium term, but will focus more on the INR500K level than INR1m.
- The core sweet spot remains in the INR300k-500k range.
- Incremental growth of 5% will come from the INR500-1m segment.
- No pricing pressure is seen in this segment, and the company expects no adverse NIM impact from the shift in mix.
- If a borrower has strong credit and seeks a business-purpose loan, the company is willing to offer an interest subsidy of 1-2%.

Attrition

- Quarterly attrition is around 15-17%, translating into an annualized rate of ~60-70%, primarily among employees with <1-year tenure.
- For employees with over a year of experience, annual attrition is more moderate at 20-25%.
- The company continues to submit detailed data to credit bureaus on a fortnightly basis.

CEO resignation

- Rangarajan Krishnan (MD and CEO), associated with the company for over 10 years and instrumental in taking it from inception to listing, has decided to step down to pursue an entrepreneurial venture.
- His resignation was approved and will take effect on 14th Aug'25.
- Lakshmipathy Deenadayalan will continue to handle all operational work after his exit.

Others

- The impact of the KAR ordinance is gradually easing, and collections are now showing signs of recovery.
- In Andhra, the segment below INR300k was significantly larger, leading the company to operate in some riskier colonies and segments.
- The company has an active plan to launch housing finance and will provide further updates in the next quarter.
- While customer cash flows have not deteriorated, the core issue is overleveraging. Borrowers are unsure which lender to prioritize, given the repayment burden spread across multiple sources.
- Quick mortality, which means loans disbursed in the last 12 months that turned into NPAs this quarter, has increased. The number of such accounts rose from 75-100 accounts to 150-160 accounts.

Key Exhibits

Exhibit 1: Disbursements declined ~2% YoY

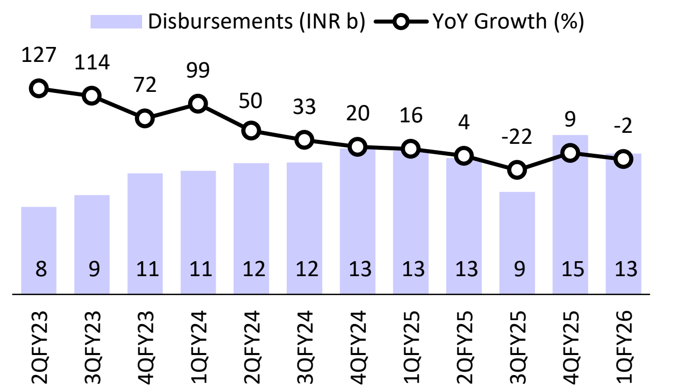


Exhibit 2: AUM rose ~20% YoY

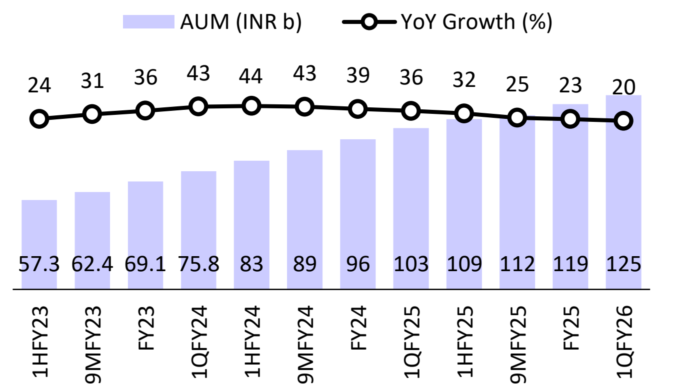
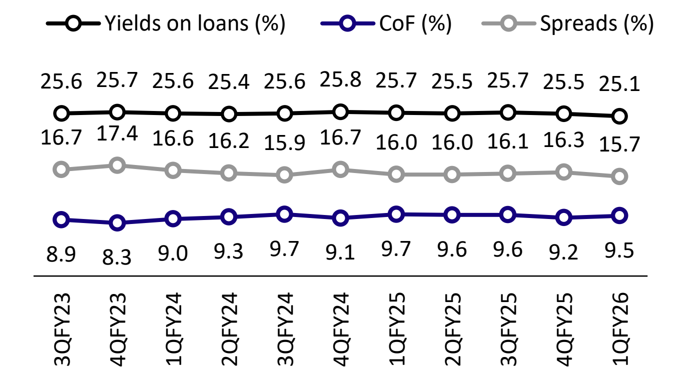
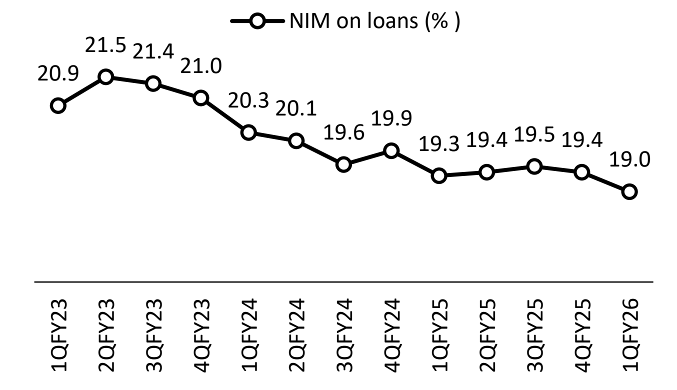


Exhibit 3: Spreads (calc.) declined ~65bp QoQ (%)



Sources: Company; MOFSL

Exhibit 4: NIM (calc.) contracted ~40bp QoQ (%)



Sources: Company; MOFSL

Exhibit 5: Opex/AUM rose ~10bp QoQ (%)

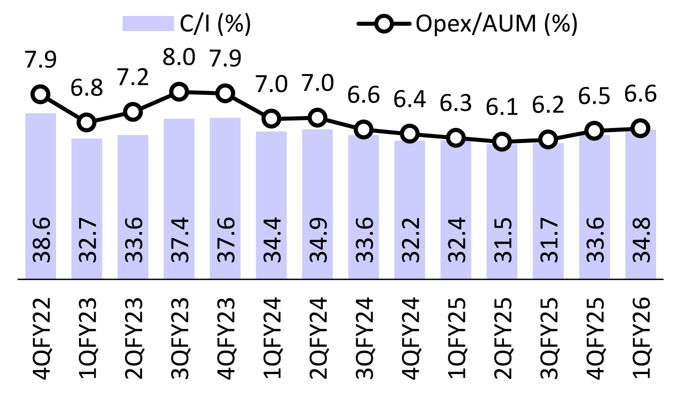


Exhibit 6: Share of bank borrowings rose QoQ

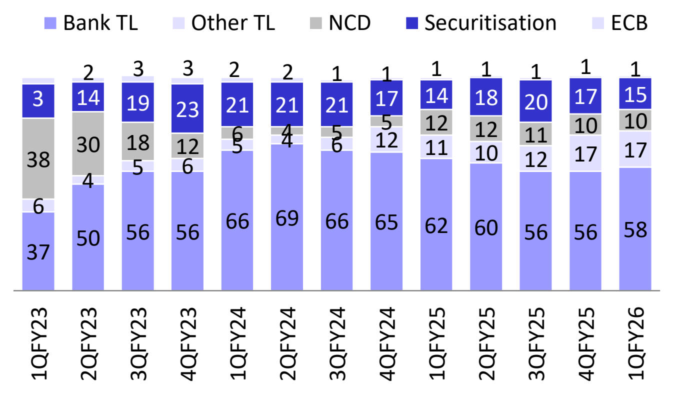
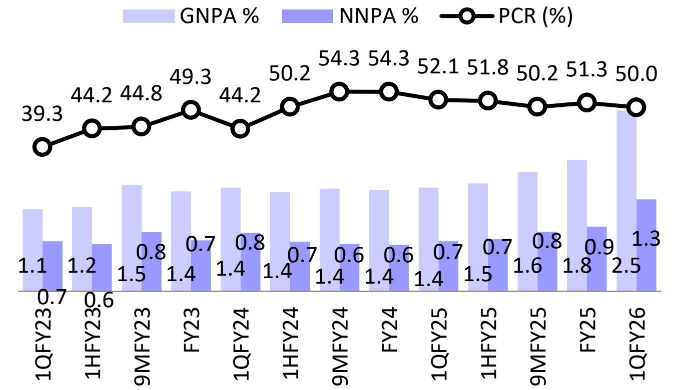
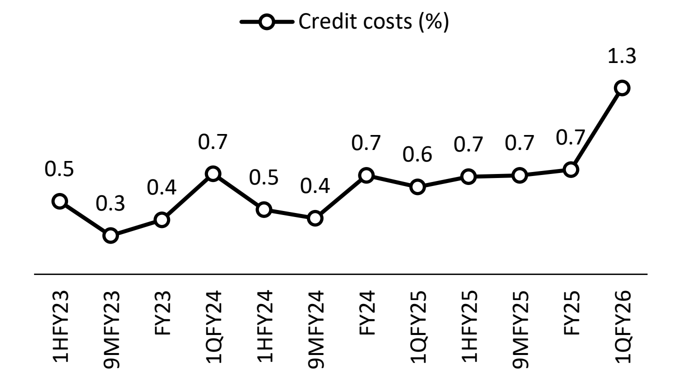


Exhibit 7: GS3 rose ~70bp QoQ (%)



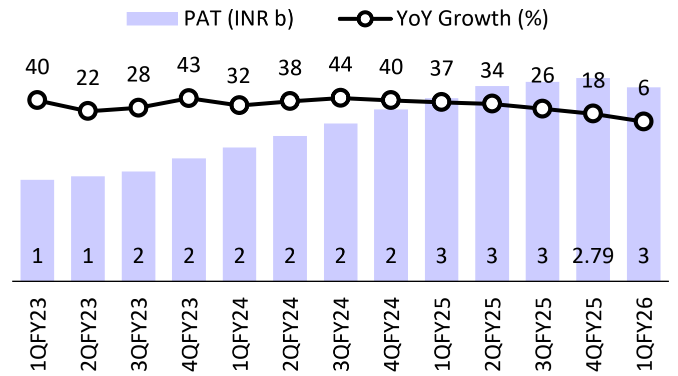
Sources: Company; MOFSL

Exhibit 8: Credit costs rose ~60bp QoQ



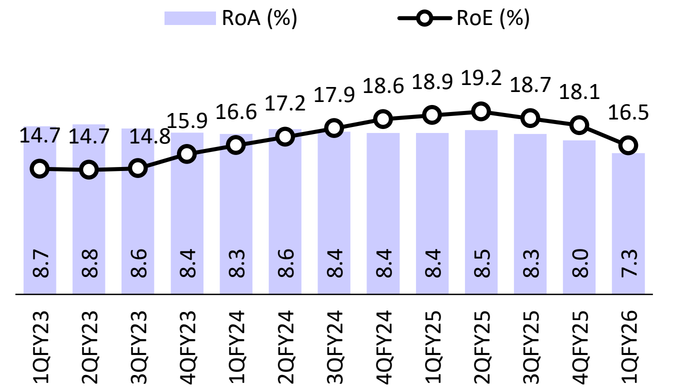
Sources: Company; MOFSL

Exhibit 9: PAT rose ~6% YoY to INR3b



Sources: Company; MOFSL

Exhibit 10: RoA/RoE of 7.3%/16.5% in 1QFY26



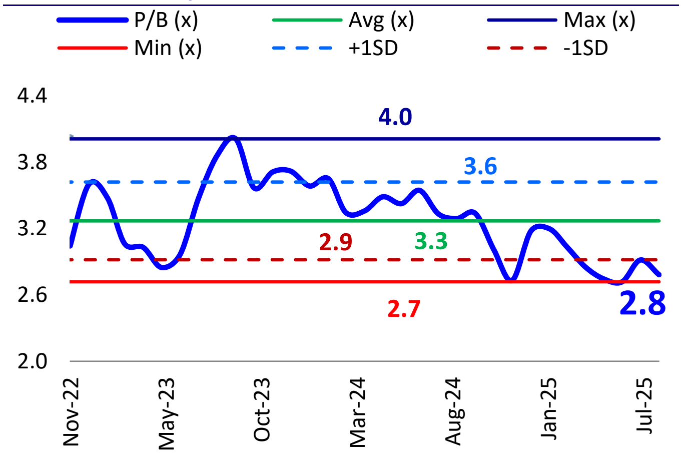
Sources: Company; MOFSL

Exhibit 11: We cut FY26/FY27 EPS estimates by ~4%/1% to factor in higher credit costs due to deterioration in asset quality

INR B	Old Est.		New Est.		Change (%)	
	FY26	FY27	FY26	FY27	FY26	FY27
NII	24.0	28.3	24.6	28.5	2.3	0.9
Other Income	1.1	1.4	1.1	1.3	-0.4	-8.6
Total Income	**25.2**	**29.7**	**25.7**	**29.8**	**2.2**	**0.4**
Operating Expenses	8.2	9.9	8.6	10.2	4.6	3.0
Operating Profits	**16.9**	**19.7**	**17.1**	**19.6**	**1.0**	**-0.9**
Provisions	1.0	1.3	1.9	1.3	84.8	0.7
PBT	**15.9**	**18.5**	**15.2**	**18.3**	**-4.5**	**-1.0**
Tax	4.0	4.6	3.8	4.6	-4.5	-1.0
PAT	**11.9**	**13.8**	**11.4**	**13.7**	**-4.5**	**-1.0**
AUM	148	189	147	187	-0.7	-1.1
Borrowings	101	132	98	128	-2.5	-2.6
RoA	7.4	6.9	7.1	7.0	-3.6	0.7
RoE	17.3	17.1	16.6	17.0	-4.1	-0.5

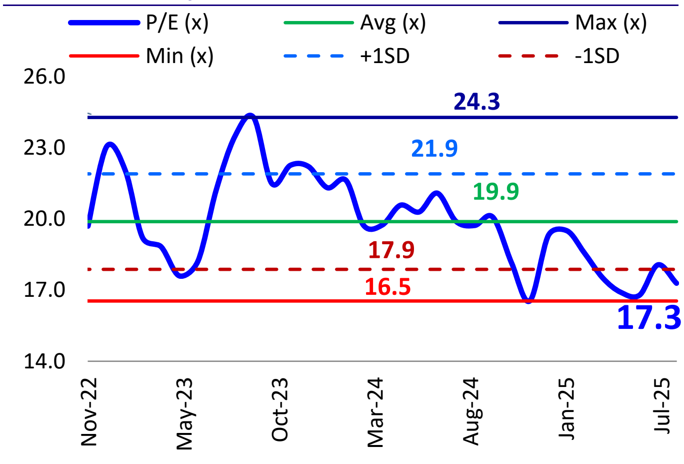
Sources: MOFSL, Company

Exhibit 12: One-year forward P/B



Source: MOFSL, Company

Exhibit 13: One-year forward P/E



Source: MOFSL, Company

Exhibit 14: DuPont Analysis

%	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest Income	22.3	22.3	20.0	19.8	19.9	20.8	21.2	20.5	19.5
Interest Expended	4.4	6.5	6.5	5.0	3.5	4.6	5.1	5.0	5.1
Net Interest Income	**17.9**	**15.8**	**13.5**	**14.9**	**16.4**	**16.2**	**16.1**	**15.4**	**14.5**
Other Income	1.1	1.2	0.7	0.9	0.4	0.8	0.8	0.7	0.6
Total Income	**19.0**	**17.0**	**14.3**	**15.7**	**16.8**	**16.9**	**16.8**	**16.1**	**15.1**
Operating Expenses	**6.1**	**5.1**	**4.2**	**5.0**	**5.8**	**5.4**	**5.2**	**5.4**	**5.2**
Operating Profit	**12.9**	**11.9**	**10.1**	**10.7**	**11.0**	**11.5**	**11.6**	**10.7**	**9.9**
Provisions	0.4	1.5	0.7	0.8	0.3	0.5	0.7	1.2	0.7
PBT	**12.5**	**10.4**	**9.4**	**10.0**	**10.7**	**10.9**	**11.0**	**9.5**	**9.3**
Tax	3.5	2.6	2.3	2.5	2.7	2.7	2.7	2.4	2.3
Tax Rate (%)	*28.3*	*25.0*	*24.7*	*24.9*	*25.0*	*25.1*	*25.0*	25.1	25.1
PAT	**8.9**	**7.8**	**7.1**	**7.5**	**8.0**	**8.2**	**8.2**	**7.1**	**7.0**
Leverage	1.8	2.0	2.4	2.0	1.9	2.1	2.3	2.3	2.4
RoE	**16.0**	**15.8**	**16.8**	**15.0**	**15.0**	**17.5**	**18.7**	**16.6**	**17.0**

E: MOFSL Estimates

Financials and Valuation

Income statement

INR m

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest Income	3,897	7,468	10,149	12,038	14,988	21,166	27,663	32,611	38,498
Interest Expended	769	2,174	3,279	3,006	2,663	4,685	6,680	8,009	9,962
Net Interest Income	**3,129**	**5,295**	**6,870**	**9,032**	**12,325**	**16,481**	**20,983**	**24,602**	**28,536**
Change (%)		69	30	31	36	34	27	17	16
Fees and Commissions (Legal and Technical Fees)	133	297	217	294	138	219	322	421	465
Net gain on fair value changes	59	102	132	209	83	443	494	479	503
Non Operating Income (including recovery of bad debts)	0	6	15	21	81	123	182	236	295
Other Income	192	405	364	524	301	785	997	1,136	1,264
Net Income	**3,321**	**5,700**	**7,234**	**9,556**	**12,627**	**17,266**	**21,980**	**25,738**	**29,800**
Change (%)		72	27	32	32	37	27	17	16
Employees Cost	765	1,271	1,637	2,361	3,464	4,286	5,211	6,670	7,871
Depreciation	42	101	114	122	173	246	304	371	452
Others	253	342	367	575	741	1,021	1,270	1,587	1,905
Operating Expenses	1,061	1,713	2,118	3,058	4,378	5,553	6,785	8,628	10,228
Operating Profit (PPoP)	**2,260**	**3,986**	**5,116**	**6,497**	**8,249**	**11,713**	**15,196**	**17,110**	**19,572**
Change (%)		76	28	27	27	42	30	13	14
Provisions/write offs	76	493	352	455	201	554	890	1,932	1,290
PBT	**2,184**	**3,493**	**4,764**	**6,042**	**8,048**	**11,160**	**14,306**	**15,178**	**18,282**
Tax	618	874	1,174	1,507	2,012	2,800	3,581	3,810	4,589
Tax Rate (%)	28.3	25.0	24.7	24.9	25.0	25.1	25.0	25.1	25.1
Reported PAT	**1,567**	**2,620**	**3,590**	**4,535**	**6,035**	**8,359**	**10,725**	**11,369**	**13,693**
Change (%)		67	37	26	33	39	28	6	20
Proposed Dividend (incl. tax)	0	0	0	0	0	0	589	294	589

Balance sheet

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Capital	239	254	255	291	291	292	294	294	294
Reserves & Surplus	13,412	19,190	22,925	36,812	43,104	51,669	62,752	73,531	86,930
Net Worth	**13,651**	**19,444**	**23,180**	**37,104**	**43,395**	**51,962**	**63,046**	**73,826**	**87,225**
Borrowings	9,600	23,637	34,252	25,588	42,473	63,158	79,220	98,176	1,28,235
Change (%)		146	45	-25	66	49	25	24	31
Other liabilities	247	451	504	739	1,160	1,768	1,940	2,715	3,802
Total Liabilities	**23,498**	**43,532**	**57,936**	**63,431**	**87,028**	**1,16,888**	**1,44,206**	**1,74,718**	**2,19,262**
Loans	20,959	38,308	43,587	51,024	68,222	96,851	1,16,868	1,44,377	1,83,193
Change (%)		83	14	17	34	42	21	24	27
Investments	0	0	0	2,482	1,446	1,077	2,122	2,334	2,568
Change (%)					-42	-26	97	10	10
Net Fixed Assets	95	279	249	328	449	643	936	1,170	1,463
Other assets	2,445	4,945	14,100	9,597	16,914	18,317	24,279	26,836	32,038
Total Assets	**23,498**	**43,532**	**57,936**	**63,431**	**87,030**	**1,16,888**	**1,44,206**	**1,74,718**	**2,19,262**

E: MOFSL Estimates

Financials and Valuation

AUM Mix (%)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
AUM	21,128	38,922	44,454	50,671	69,148	96,406	1,18,770	1,47,311	1,86,582
YoY Growth (%)	**110**	**84**	**14**	**14**	**36**	**39**	**23**	**24**	**27**
Disbursements	14,822	24,087	12,451	17,562	33,915	48,814	49,697	60,133	77,572
YoY Growth (%)	**110**	**63**	**-48**	**41**	**93**	**44**	**2**	**21**	**29**

Ratios

Growth %	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
AUM	110	84	14	14	36	39	23	24	27
Disbursements	110	63	-48	41	93	44	2	21	29
Total Assets	104	85	33	9	37	34	23	21	25
NII	140	69	30	31	36	34	27	17	16
PPOP	170	76	28	27	27	42	30	13	14
PAT	194	67	37	26	33	39	28	6	20
EPS	136	57	37	10	33	38	27	6	20

(%)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Spreads Analysis (%)									
Yield on loans	25.2	25.2	24.8	25.4	25.1	25.6	25.9	25.0	23.5
Cost of funds	10.2	13.1	11.3	10.0	7.8	8.9	9.4	9.0	8.8
Spread	15.0	12.1	13.5	15.4	17.3	16.8	16.5	15.9	14.7
Net Interest Margin	20.0	17.6	16.5	19.0	20.6	19.9	19.6	18.8	17.4
Profitability Ratios & Capital Structure (%)									
Debt-Equity ratio	0.7	1.2	1.5	0.7	1.0	1.2	1.3	1.3	1.5
Capital adequacy - CRAR	64.1	52.9	58.9	75.2	67.2	50.5	50.1	39.9	36.8
Leverage	1.7	2.2	2.5	1.7	2.0	2.2	2.3	2.4	2.5
Int. Expended/Int.Earned	19.7	29.1	32.3	25.0	17.8	22.1	24.1	24.6	25.9
RoA	**8.9**	**7.8**	**7.1**	**7.5**	**8.0**	**8.2**	**8.2**	**7.1**	**7.0**
RoE	**16.0**	**15.8**	**16.8**	**15.0**	**15.0**	**17.5**	**18.7**	**16.6**	**17.0**
Cost/Productivity Ratios (%)									
Cost/Income	31.9	30.1	29.3	32.0	34.7	32.2	30.9	33.5	34.3
Op. Exps./Avg Assets	6.1	5.1	4.2	5.0	5.8	5.4	5.2	5.4	5.2
Op. Exps./Avg AUM	6.8	5.7	5.1	6.4	7.3	6.7	6.3	6.5	6.1
Other Inc./Net Income	5.8	7.1	5.0	5.5	2.4	4.5	4.5	4.4	4.2
AUM/employee (INR m)	10.7	10.4	11.3	8.9	9.4	10.3	10.0	11.9	13.7
AUM/ branch (INR m)	122.1	154.5	169.7	168.9	185.4	185.4	158.8	177.9	205.5
Empl. Cost/Op. Exps. (%)	72.2	74.2	77.3	77.2	79.1	77.2	76.8	77.3	77.0
Asset Quality									
Gross NPAs (INR m)	181	532	452	530	939	1,328	2,123	3,686	4,177
Gross NPA (%)	**0.9**	**1.4**	**1.0**	**1.0**	**1.4**	**1.4**	**1.8**	**2.5**	**2.2**
Net NPAs (INR m)	139	438	371	345	476	608	1,034	1,769	2,088
Net NPA (%)	0.7	1.1	0.8	0.7	0.7	0.6	0.9	1.2	1.1
PCR (%)	**22.9**	**17.7**	**18.0**	**34.9**	**49.3**	**54.3**	**51.3**	**52.0**	**50.0**
Credit costs (% of gross loans)	**0.5**	**1.6**	**0.8**	**1.0**	**0.3**	**0.67**	**0.83**	**1.45**	**0.77**
VALUATION									
Book Value (INR)	57	77	91	127	149	178	214	251	296
Price-BV (x)	**11.4**	**8.5**	**7.1**	**5.1**	**4.4**	**3.7**	**3.0**	**2.6**	**2.2**
EPS (INR)	7	10	14	16	21	29	36	39	47
EPS Growth YoY	136	57	37	10	33	38	27	6	20
Price-Earnings (x)	**99**	**63**	**46**	**42**	**31**	**23**	**18**	**17**	**14**
DPS (INR)	0.0	0.0	0.0	0.0	0.0	0.0	2.0	1.0	2.0
Dividend yield (%)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.3**	**0.2**	**0.3**

E: MOFSL Estimates

N O T E S

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

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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.