Five Star Business Finance

Estimate changes	↑
TP change	↑
Rating change	↔

Bloomberg	FIVESTAR IN
Equity Shares (m)	294
M.Cap.(INRb)/(USDb)	178.2 / 2
52-Week Range (INR)	889 / 501
1, 6, 12 Rel. Per (%)	12/-27/-38
12M Avg Val (INR M)	769

Financials Snapshot (INR b)

Y/E March	FY25	FY26E	FY27E
NII	21.0	24.4	28.3
PPoP	15.2	17.7	20.2
PAT	10.7	11.9	13.3
EPS (INR)	36	40	45
EPS Gr. (%)	27	11	12
BV/Sh. (INR)	214	252	296
Ratios			
NIM (%)	19.6	18.7	17.6
C/I ratio (%)	30.9	31.0	32.3
Credit costs	0.8	1.4	1.5
RoAA (%)	8.2	7.5	6.9
RoAE (%)	18.7	17.3	16.5
Dividend payout	5.5	5.0	5.5
Valuations			
P/E (x)	16.6	15.0	13.3
P/BV (x)	2.8	2.4	2.0
Div. yield (%)	0.3	0.3	0.4

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	18.6	21.5	21.6
DII	12.2	9.5	9.0
FII	55.8	58.1	56.7
Others	13.5	10.9	12.7

FII Includes depository receipts

CMP: INR605 TP: INR710 (+17%) Buy

Soft quarter; visibility improving on AUM growth and asset quality

Weak disbursements in face of calibration; asset quality deteriorates

- Five Star Business Finance's (FIVESTAR) 2QFY26 PAT grew 7% YoY to INR2.86b (in line). PAT in 1HFY26 grew 6% YoY and we expect PAT in 2HFY26 to grow by 15% YoY. NII grew ~15% YoY to INR5.9b (in line), while PPoP rose ~14% YoY to INR4.3b (in line). Other income rose 26% YoY to INR334m (vs. est. of INR290m), primarily because of higher fee income during the quarter.
- Opex grew ~19% YoY to INR1.94b (in line). Credit costs stood at INR510m and annualized credit costs stood at ~1.35% (PQ: 1.3% and PY: ~70bp).
- AUM grew 18% YoY/3% QoQ to ~INR128b. Management shared that disbursements were weak primarily due to stricter underwriting controls and layered checks implemented in the quarter. These measures led to an increase in the rejection ratio from 23% in 1Q to 41% in 2Q, reflecting a deliberate tightening in risk assessment. However, the company has maintained its AUM growth guidance of ~25% for FY26, expecting a pick-up in disbursements in 3Q and a much stronger momentum in 4QFY26.
- Five Star has launched housing loans with first few logins recorded in Sep'25. The product has been rolled out across 175-200 branches with a targeted ATS of INR600k–800k and yields of 16-18%. The company expects its housing loan segment to evolve into a meaningful growth driver from FY27 onward.
- Management maintained its credit cost guidance at 1.25-1.3%. The focus remains on curbing forward flows and stabilizing 30+dpd buckets. The company expects delinquency trends to stabilize in 3QFY26 and show meaningful improvement in 4QFY26, supported by tighter underwriting, enhanced collection efforts, and robust legal recovery measures.
- Management indicated that portfolio performance has stabilized across most geographies, with Karnataka remaining a relatively weaker pocket (~5-6% of AUM). Both Andhra Pradesh and Tamil Nadu have shown notable improvement, with Tamil Nadu expected to see further traction in disbursement growth in the coming quarters.
- The asset quality weakness in the micro-LAP segment stemmed from stress in unsecured small-ticket loans, gradually spilling into the small-ticket secured space. Credit cycle in micro-LAP (particularly in loans below INR500k) is lagging the MFI credit cycle by 6-9 months. With MFIs now exhibiting early recovery, we expect even micro-LAP lenders to exhibit recovery within the next six months.
- Five Star remains well-positioned to manage this period of volatility, 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%/~14% in AUM/PAT over FY25-28. Despite a moderation in NIM and slightly higher credit costs, Five Star can deliver healthy RoA/RoE of 6.7%/17% in FY28E. **Reiterate BUY with a TP of INR710 (based on 2.2x Sep'27E BV).**

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Reported spreads decline due to moderation in yields

- Reported yield declined ~30bp QoQ to 23.2%. CoB also declined QoQ ~25bp QoQ to 9.3%. Reported spreads fell ~5bp QoQ to 13.95%. Reported NIM was stable QoQ at ~16.4%. Incremental CoF was broadly stable QoQ at ~8.55%.
- Management indicated that the moderation in yields will be offset by a reduction in its CoB, supported by lower incremental CoB. However, NIMs are likely to moderate with improvement in leverage when growth picks up. We model NIM to contract to 18.7%/17.6% in FY26/FY27E (FY25: 19.6%).

Asset quality deteriorates but visibility of stabilization trends ahead

- GS3/NS3 rose ~20bp each QoQ to ~2.65%/1.45%. S3 PCR declined ~5pp QoQ to ~45.2%.
- Overall collection efficiency (CE) stood at 96.7% (PQ: 96.3%). Unique loan collections (due one, collect one) stood at 95.1% (PQ: 95.1%). Cash proportion in collections declined to ~18% (PQ: ~19% and PY: ~28%).
- Current portfolio declined to 81.7% (PQ: 82.4%). Stage 2 rose 70bp QoQ to 9.5%. 30+ dpd rose ~85bp QoQ to 12.2% and 1+dpd increased ~80bp QoQ to 18.3%. We model credit costs (as a % of avg. assets) of 1.2% each in FY26/27E.

Disbursements decline ~4% YoY; capital adequacy strong at ~51%

- Disbursements fell ~4% YoY and ~7% QoQ to ~INR12b.
- 2QFY26 RoA/RoE stood at 7.5%/16.9%, and capital adequacy stood at ~51% as of Sep'25.

Highlights from the management commentary

- Management highlighted that 2QFY26 marked a phase of stabilization, with gradual improvement expected in 3Q and a strong recovery anticipated in 4Q. The company continues to enhance its credit underwriting framework, which is expected to yield visible benefits in the subsequent quarters.
- Five Star continues to refine its customer mix by focusing on the INR300-500k and INR500k-INR1m ticket segments, while targeting borrowers with stronger credit profiles.
- Management indicated that as operating systems stabilize and recently implemented controls gain traction, growth momentum is expected to accelerate, supported by a diversified product portfolio, stronger collection efficiency, and stability in credit costs.

Valuation and view

- Five Star reported a soft operating performance during the quarter, marked by muted disbursements and weak AUM growth. Asset quality deteriorated further, as evident in the increase of 30+dpd, leading to elevated annualized credit costs of ~1.35%. Spreads and margins also contracted, primarily due to lower yields. Management guided for a turnaround on the horizon and expects growth and asset quality to improve in 3Q and strengthen further in 4Q.
- The stock currently trades at 2x FY27E P/BV. We estimate Five Star to post a CAGR of ~25%/14% in AUM/PAT over FY25-FY28, along with RoA/RoE of 6.7%/17% in FY28E. **Reiterate our BUY rating on the stock with a TP of INR710 (premised on 2.2x Sep'27E P/BV).**

FIVE STAR BUSINESS: Quarterly Performance (INR M)

Y/E March	FY25				FY26E				FY25	FY26E	2QFY26E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	6,411	6,793	7,112	7,347	7,647	7,731	8,002	8,541	27,663	31,921	7,907	-2
Interest Expenses	1,582	1,631	1,714	1,753	1,873	1,800	1,883	2,010	6,680	7,565	1,871	-4
Net Interest Income	**4,829**	**5,161**	**5,399**	**5,594**	**5,774**	**5,931**	**6,119**	**6,531**	**20,983**	**24,355**	**6,036**	**-2**
YoY Growth (%)	31.4	29.6	28.3	21.2	19.6	14.9	13.3	16.7	27.3	16.1	16.9	
Other Income	283	266	198	250	265	334	358	381	997	1,338	289	16
Total Income	**5,112**	**5,427**	**5,597**	**5,844**	**6,039**	**6,265**	**6,478**	**6,912**	**21,980**	**25,693**	**6,324**	**-1**
YoY Growth (%)	32.0	30.3	26.8	21.4	18.1	15.4	15.7	18.3	27.3	16.9	16.5	
Operating Expenses	1,565	1,627	1,713	1,880	2,012	1,936	1,986	2,022	6,785	7,954	2,024	-4
Operating Profit	**3,547**	**3,800**	**3,884**	**3,964**	**4,027**	**4,330**	**4,492**	**4,890**	**15,196**	**17,739**	**4,300**	**1**
YoY Growth (%)	35.9	36.9	29.4	19.2	13.5	13.9	15.7	23.3	29.7	16.7	13.2	
Provisions & Loan Losses	185	218	233	254	478	510	470	440	890	1,898	518	-2
Profit before Tax	**3,362**	**3,582**	**3,651**	**3,711**	**3,550**	**3,819**	**4,022**	**4,450**	**14,306**	**15,841**	**3,782**	**1**
Tax Provisions	846	903	913	919	886	958	1,010	1,122	3,581	3,976	946	1
Net Profit	**2,516**	**2,679**	**2,739**	**2,791**	**2,663**	**2,861**	**3,013**	**3,327**	**10,725**	**11,865**	**2,837**	**1**
YoY Growth (%)	37	34	26	18	6	7	10	19	28.3	10.6	5.9	
Key Parameters (%)												
Yield on loans	25.7	25.5	25.7	25.5	25.1	24.4	24.2	24.2				
Cost of funds	9.7	9.6	9.6	9.2	9.5	8.9	8.7	8.7				
Spread	16.0	16.0	16.1	16.3	15.7	15.6	15.5	15.5				
NIM	19.33	19.41	19.5	19.41	18.98	18.75	18.5	18.5				
Credit cost	0.74	0.69	0.71	0.73	1.31	1.35	1.18	1.04				
Cost to Income Ratio (%)	30.6	30.0	30.6	32.2	33.3	30.9	30.7	29.2				
Tax Rate (%)	25.2	25.2	25.0	24.8	25.0	25.1	25.1	25.2				
Performance ratios (%)												
AUM/Branch (INR m)	189.1	166	153.3	158.8	162.4	161						
Balance Sheet Parameters												
AUM (INR B)	103.4	109.3	111.8	118.8	124.6	128.5	136.3	145.8				
Change YoY (%)	36.4	32.2	25.2	23.2	20.4	17.6	22.0	22.8				
Disbursements (INR B)	**13.2**	**12.5**	**9.4**	**14.6**	**12.9**	**12.0**	**16.0**	**18.3**				
Change YoY (%)	16.5	3.9	-22.2	9.2	-2.1	-4.4	70.0	25.2				
Borrowings (INR B)	67.2	68.8	73.6	79.2	78.7	83.8	89.0	95.5				
Change YoY (%)	55.8	42.8	27.1	25.4	17.1	21.8	20.9	20.5				
Borrowings/Loans (%)	65.0	63.0	65.9	66.7	63.2	65.2	65.3	65.5				
Debt/Equity (x)	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.3				
Asset Quality (%)												
GS 3 (INR M)	**1,454**	**1,604**	**1,808**	**2,123**	**3,070**	**3,388**						
G3 %	**1.4**	**1.47**	**1.6**	**1.8**	**2.5**	**2.64**						
NS 3 (INR M)	**697**	**773**	**901**	**1,034**	**1,534**	**1,857**						
NS3 %	**0.7**	**0.7**	**0.8**	**0.9**	**1.3**	**1.5**						
PCR (%)	**52.1**	**51.8**	**50.2**	**51.3**	**50.0**	**45.2**						
ECL (%)	**1.6**	**1.6**	**1.7**	**1.6**	**1.9**	**1.9**						
Return Ratios (%)												
ROA (Rep)	8.2	8.4	8.1	8.0	7.2	7.5						
ROE (Rep)	19.0	19.02	18.5	18.4	16.6	16.91						

Highlights from the management commentary

Guidance

- Five Star maintained its AUM growth guidance for FY26, expecting a pick-up in disbursements in 3QFY26 and stronger momentum in 4QFY26.
- The company remains confident of sustaining spreads of 13-13.5% in steady state.
- Reiterated its credit cost guidance of 1.25-1.3% of total assets (1.5-1.6% of AUM) for the next 18-24 months.
- Guidance for opex to assets of 5.0-5.5% of AUM in the short to medium term, as continued investments in technology, collections, and manpower offset near-term scale benefits.
- With incremental borrowings being raised at 8.5-8.6% and a ~27bp QoQ reduction in CoB this quarter, the company expects further reduction in CoB in the coming quarters, supported by an improving credit profile and liquidity.
- The company expects stabilization of 30+ DPD buckets in 3QFY26, followed by meaningful improvement in 4QFY26, driven by tighter underwriting, strengthened collections, and legal recovery initiatives.
- The new housing finance vertical will remain margin-dilutive in the near term but is expected to become a growth driver in FY27. It will help in product diversification and balance sheet stability. Due to this product diversification, the company expects steady-state RoA of 6-6.5%, even as the housing portfolio scales.
- Expects to scale up housing loans to INR1.5b-INR2b by end-FY26.
- Fee income will improve in the subsequent quarters in line with growth in logins and disbursements.

New product: Affordable housing finance

- The company commenced its housing loan product this quarter, with first few logins recorded in Sep'25.
- Housing loans have been launched across 175-200 branches with ATS of INR600k–800k. The company has introduced housing product only in its safest and strongest branches.
- Lending rates will be around 16-18%, with tenors of up to 15 years, depending on customer profile.
- Management expects housing loans to become a meaningful growth lever from FY27 onward.

Business trends

- 2QFY26 was a period of stabilization, with gradual improvement in 3Q and a strong recovery in 4Q.
- The company delivered a stable performance across key operating metrics in the quarter, with most parameters showing early signs of stabilization.
- The weakness witnessed in 1Q has largely been corrected, marking this quarter as one of stabilization.
- Green shoots are emerging in 3Q, with management expecting strong momentum from 4Q.

- The company continues to strengthen its credit underwriting processes, which should reflect positively in the coming quarters. Despite these operational improvements, credit costs remained elevated during the quarter, though management believes a trend reversal is likely over the next two quarters.
- The company added 39 new branches and expanded its collection workforce, underscoring focus on growth preparedness and recovery strength.
- As the system stabilizes and new controls mature, growth acceleration is expected, supported by diversified products, improved collection efficiency, and stable credit costs.

Disbursements and AUM growth

- Disbursements stood at INR11.2b in 2Q vs. INR12.9b in 1QFY26, with the decline attributed to stricter underwriting controls and layered checks implemented in the last quarter.
- These measures led to an increase in the rejection ratio from 23% in 1Q to 41% in 2Q, reflecting a deliberate tightening in risk assessment.
- The company expects disbursements and AUM growth to pick up in the coming quarters, targeting INR16b-18b in disbursements over the next two quarters.
- In Sep'25, disbursements crossed INR5b, signalling improving business traction.
- The company continues to strengthen both sales and collection infrastructure, preparing for higher growth once delinquency stabilizes.

Portfolio quality and collections

- Collection efficiency improved from 96.1% in 1Q to 96.7% in 2Q, indicating gradual but steady recovery.
- The focus remains on restricting forward flows and stabilizing 30+ DPD buckets, with stronger recovery expected in 3Q and much improved performance in 4Q.
- Legal recovery team (150 members) is showing strong results, with INR200m of NPAs resolved in the quarter.
- The company expects to recover INR750-800m of NPAs through auctions and negotiated settlements over the next few quarters.
- Behavioural normalization among borrowers is improving as secured lenders continue active recovery efforts, even in cases overlapping with MFI exposure.

Credit costs and asset quality

- The company maintained its credit cost guidance at 1.25-1.3% of total assets (or ~1.5–1.6% of AUM) for the next 18-24 months.
- Total ECL provisions stood at ~1.9% of total assets. The decline in Stage 3 PCR this quarter was due to higher write-offs of fully provided customer accounts.
- Management does not plan to increase its S3 PCR in the near term and guides for S3 PCR in the range of 42-45%.

Financial performance

- Yields declined sequentially to 23.2%, while spreads were broadly stable at 13.9%.
- NIMs were stable sequentially, though management expects a gradual decline as leverage increases due to a pickup in growth.

- The company raised INR10.7b of debt during the quarter at an incremental CoF of 8.56%, with overall CoB declining 27bp QoQ. With lower incremental borrowing costs, further reduction in CoB is expected.
- The company's decision to lower yields last year is expected to be offset by the decline in CoF, supporting margins.
- PAT grew 7% YoY to INR2.9b, taking net worth to over INR68b.
- The company continues to generate healthy return ratios, even in a challenging phase.

Geographic and portfolio insights

- Stabilization was visible across most geographies, with Karnataka remaining a relatively weaker pocket; however, the company has limited presence with only 5-6% of the AUM in the state.
- Andhra Pradesh and Tamil Nadu have shown meaningful improvements, with Tamil Nadu expected to exhibit stronger growth in the coming quarters.
- Delinquencies remain higher in sub-INR300k ticket-size loans, while larger-ticket segments (INR300k-1m) are performing better.
- The company continues to fine-tune its customer mix by shifting its focus to INR300k-500k and INR500k–1m ticket size segments and stronger borrower profiles.

Key Exhibits

Exhibit 1: Disbursements declined ~4% YoY

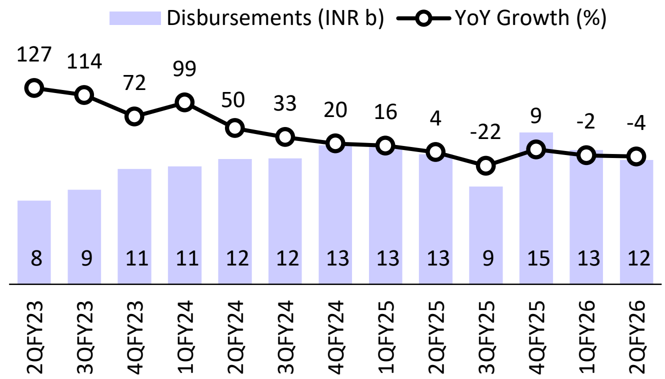


Exhibit 2: AUM rose ~18% YoY

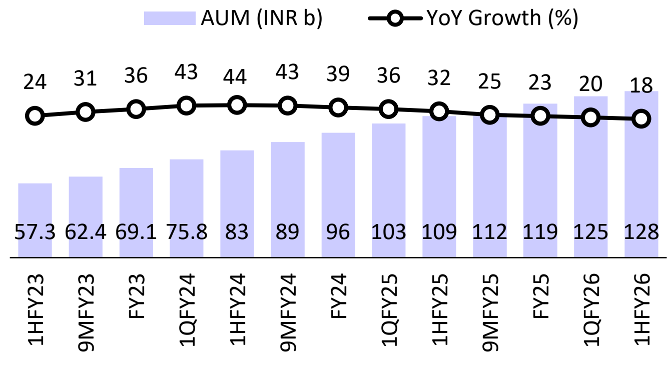
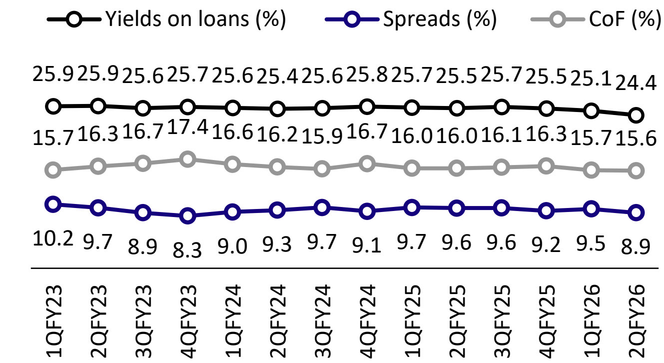
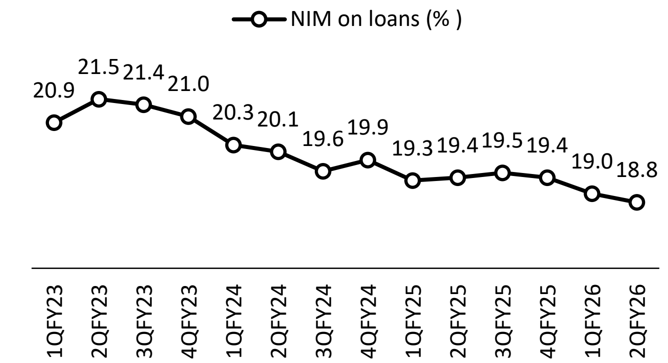


Exhibit 3: Spreads (calc.) declined ~7bp QoQ (%)



Sources: Company; MOFSL

Exhibit 4: NIM (calc.) contracted ~25bp QoQ (%)



Sources: Company; MOFSL

Exhibit 5: Opex/AUM declined ~50bp QoQ (%)

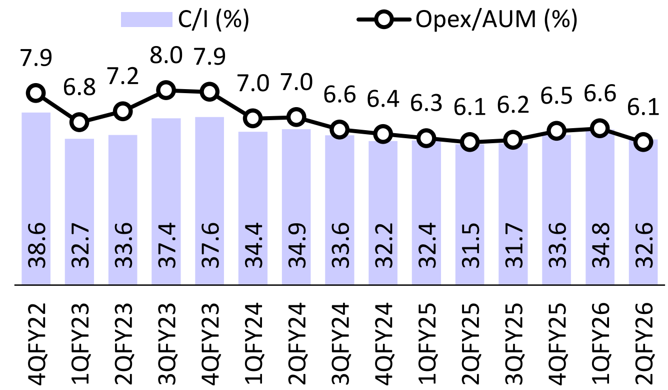


Exhibit 6: Share of bank borrowings declined QoQ

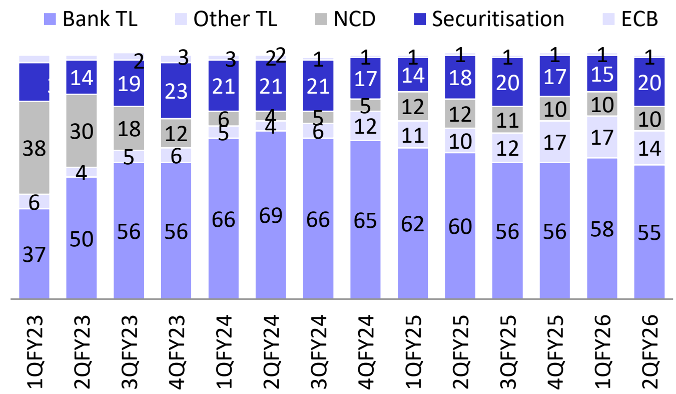
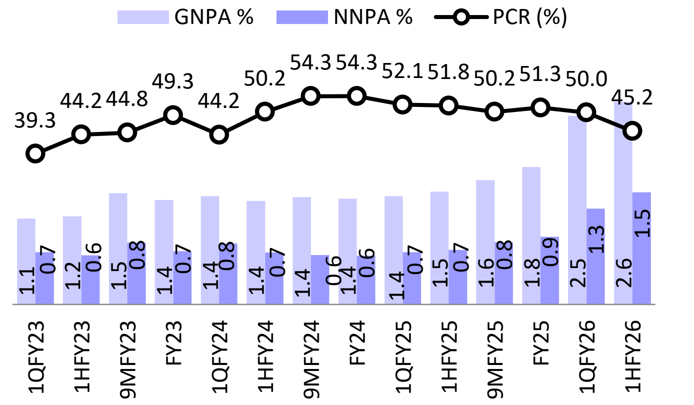
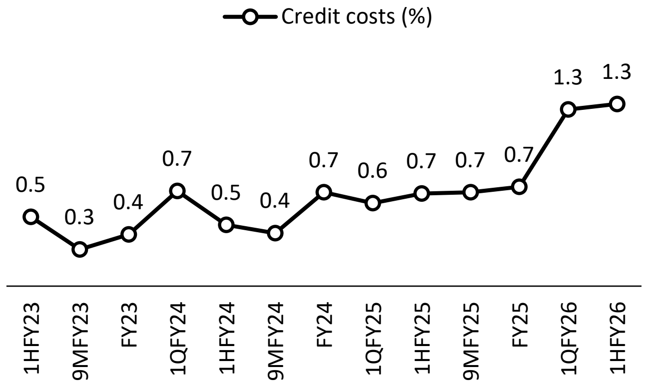


Exhibit 7: GS3 rose ~20bp QoQ (%)



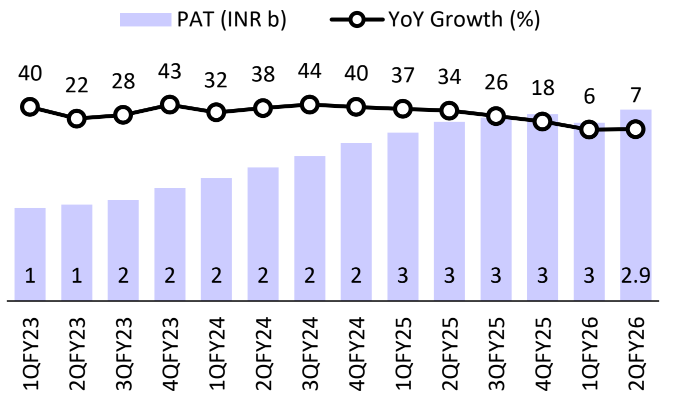
Sources: Company; MOFSL

Exhibit 8: Credit costs remained elevated QoQ



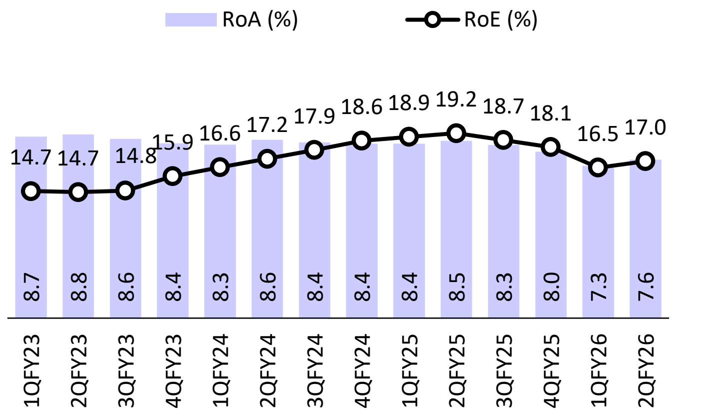
Sources: Company; MOFSL

Exhibit 9: PAT rose ~7% YoY to INR3b



Sources: Company; MOFSL

Exhibit 10: RoA/RoE of 7.6%/17% in 2QFY26



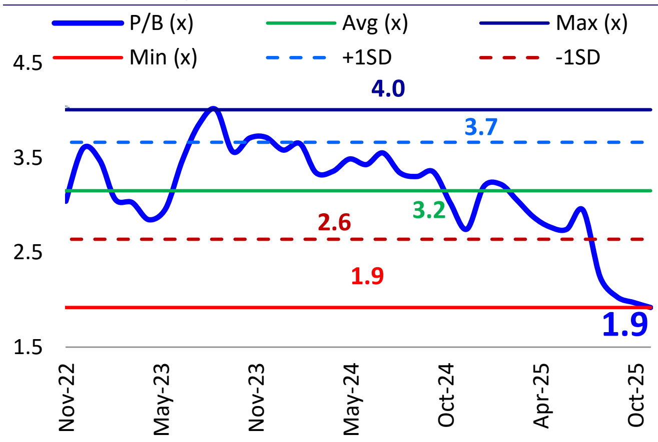
Sources: Company; MOFSL

Exhibit 11: We raise our FY26/FY27 EPS estimates by ~3% each to factor in higher other income and lower opex

INR B	Old Est.			New Est.			Change (%)		
	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
NII	24.5	27.7	34.0	24.4	28.3	34.3	-0.5	2.4	0.8
Other Income	1.1	1.2	1.4	1.3	1.5	1.6	20.7	19.9	14.0
Total Income	**25.6**	**28.9**	**35.4**	**25.7**	**29.8**	**35.9**	**0.5**	**3.1**	**1.3**
Operating Expenses	8.3	10.0	11.9	8.0	9.6	11.7	-4.5	-3.2	-2.0
Operating Profits	**17.2**	**19.0**	**23.5**	**17.7**	**20.2**	**24.2**	**2.9**	**6.5**	**3.0**
Provisions	1.9	1.7	2.1	1.9	2.4	2.8	0.3	42.6	35.4
PBT	**15.4**	**17.3**	**21.5**	**15.8**	**17.8**	**21.4**	**3.2**	**2.9**	**-0.1**
Tax	3.9	4.3	5.4	4.0	4.5	5.4	3.2	2.9	-0.1
PAT	**11.5**	**12.9**	**16.1**	**11.9**	**13.3**	**16.1**	**3.2**	**2.9**	**-0.1**
AUM	144	179	224	146	182	230	1.6	2.0	2.7
Borrowings	94	121	156	95	123	160	1.6	2.0	2.5
RoA	7.3	6.8	6.8	7.5	6.9	6.7	2.6	1.6	-1.7
RoE	16.8	16.1	17.1	17.3	16.5	17.0	2.9	2.2	-0.8

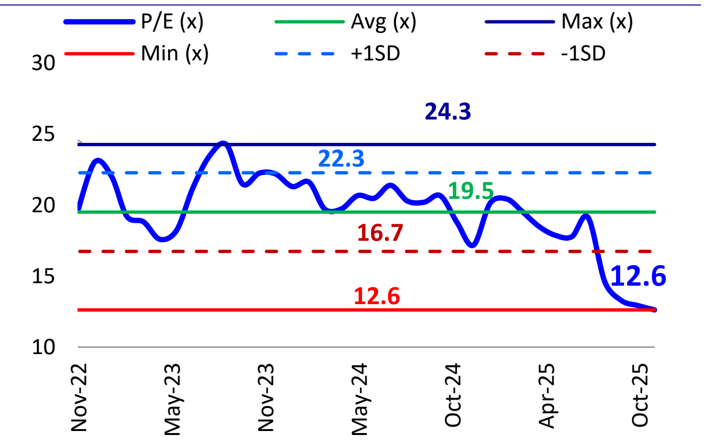
Sources: MOFSL, Company

Exhibit 12: One-year forward P/B



Source: MOFSL, Company

Exhibit 13: One-year forward P/E



Source: MOFSL, Company

DuPont Analysis

%	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Interest Income	22.3	20.0	19.8	19.9	20.8	21.2	20.2	19.5	19.2
Interest Expended	6.5	6.5	5.0	3.5	4.6	5.1	4.8	4.8	5.0
Net Interest Income	**15.8**	**13.5**	**14.9**	**16.4**	**16.2**	**16.1**	**15.4**	**14.7**	**14.2**
Other Income	1.2	0.7	0.9	0.4	0.8	0.8	0.8	0.8	0.7
Total Income	**17.0**	**14.3**	**15.7**	**16.8**	**16.9**	**16.8**	**16.2**	**15.4**	**14.9**
Operating Expenses	**5.1**	**4.2**	**5.0**	**5.8**	**5.4**	**5.2**	**5.0**	**5.0**	**4.8**
Operating Profit	**11.9**	**10.1**	**10.7**	**11.0**	**11.5**	**11.6**	**11.2**	**10.4**	**10.1**
Provisions	1.5	0.7	0.8	0.3	0.5	0.7	1.2	1.2	1.2
PBT	**10.4**	**9.4**	**10.0**	**10.7**	**10.9**	**11.0**	**10.0**	**9.2**	**8.9**
Tax	2.6	2.3	2.5	2.7	2.7	2.7	2.5	2.3	2.2
Tax Rate (%)	25.0	24.7	24.9	25.0	25.1	25.0	25.1	25.1	25.1
PAT	**7.8**	**7.1**	**7.5**	**8.0**	**8.2**	**8.2**	**7.5**	**6.9**	**6.7**
Leverage	2.0	2.4	2.0	1.9	2.1	2.3	2.3	2.4	2.5
RoE	**15.8**	**16.8**	**15.0**	**15.0**	**17.5**	**18.7**	**17.3**	**16.5**	**17.0**

E: MOFSL Estimates

Financials and Valuation

Income statement — INR m

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	7,468	10,149	12,038	14,988	21,166	27,663	31,921	37,682	46,286
Interest Expended	2,174	3,279	3,006	2,663	4,685	6,680	7,565	9,345	12,022
Net Interest Income	**5,295**	**6,870**	**9,032**	**12,325**	**16,481**	**20,983**	**24,355**	**28,337**	**34,265**
Change (%)	69	30	31	36	34	27	16	16	21
Fees and Commissions (Legal and Technical Fees)	297	217	294	138	219	322	550	596	652
Net gain on fair value changes	102	132	209	83	443	494	533	560	588
Non Operating Income (including recovery of bad debts)	6	15	21	81	123	182	255	318	398
Other Income	405	364	524	301	785	997	1,338	1,475	1,638
Net Income	**5,700**	**7,234**	**9,556**	**12,627**	**17,266**	**21,980**	**25,693**	**29,812**	**35,902**
Change (%)	72	27	32	32	37	27	17	16	20
Employees Cost	1,271	1,637	2,361	3,464	4,286	5,211	5,993	7,191	8,629
Depreciation	101	114	122	173	246	304	362	427	503
Others	342	367	575	741	1,021	1,270	1,600	2,016	2,520
Operating Expenses	1,713	2,118	3,058	4,378	5,553	6,785	7,954	9,634	11,653
Operating Profit (PPoP)	**3,986**	**5,116**	**6,497**	**8,249**	**11,713**	**15,196**	**17,739**	**20,178**	**24,249**
Change (%)	76	28	27	27	42	30	17	14	20
Provisions/write offs	493	352	455	201	554	890	1,898	2,396	2,805
PBT	**3,493**	**4,764**	**6,042**	**8,048**	**11,160**	**14,306**	**15,841**	**17,782**	**21,444**
Tax	874	1,174	1,507	2,012	2,800	3,581	3,976	4,463	5,382
Tax Rate (%)	25.0	24.7	24.9	25.0	25.1	25.0	25.1	25.1	25.1
Reported PAT	**2,620**	**3,590**	**4,535**	**6,035**	**8,359**	**10,725**	**11,865**	**13,319**	**16,061**
Change (%)	67	37	26	33	39	28	11	12	21
Proposed Dividend (incl. tax)	0	0	0	0	0	589	589	736	736

Balance sheet

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Capital	254	255	291	291	292	294	294	294	294
Reserves & Surplus	19,190	22,925	36,812	43,104	51,669	62,752	74,028	86,757	1,02,083
Net Worth	**19,444**	**23,180**	**37,104**	**43,395**	**51,962**	**63,046**	**74,322**	**87,052**	**1,02,377**
Borrowings	23,637	34,252	25,588	42,473	63,158	79,220	95,497	1,23,098	1,59,763
Change (%)	146	45	-25	66	49	25	21	29	30
Other liabilities	451	504	739	1,160	1,768	1,940	2,715	3,802	5,132
Total Liabilities	**43,532**	**57,936**	**63,431**	**87,028**	**1,16,888**	**1,44,206**	**1,72,535**	**2,13,951**	**2,67,272**
Loans	38,308	43,587	51,024	68,222	96,851	1,16,868	1,43,175	1,79,181	2,25,973
Change (%)	83	14	17	34	42	21	23	25	26
Investments	0	0	2,482	1,446	1,077	2,122	2,334	2,568	2,825
Change (%)				-42	-26	97	10	10	10
Net Fixed Assets	279	249	328	449	643	1,487	1,859	2,324	2,905
Other assets	4,945	14,100	9,597	16,914	18,317	23,728	25,167	29,878	35,570
Total Assets	**43,532**	**57,936**	**63,431**	**87,030**	**1,16,888**	**1,44,206**	**1,72,535**	**2,13,951**	**2,67,272**

E: MOFSL Estimates

Financials and Valuation

AUM Mix (%)									
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
AUM	38,922	44,454	50,671	69,148	96,406	1,18,770	1,45,842	1,82,438	2,29,973
YoY Growth (%)	**84**	**14**	**14**	**36**	**39**	**23**	**23**	**25**	**26**
Disbursements	24,087	12,451	17,562	33,915	48,814	49,697	59,139	74,516	93,145
YoY Growth (%)	**63**	**-48**	**41**	**93**	**44**	**2**	**19**	**26**	**25**

Ratios									
Growth %	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
AUM	84	14	14	36	39	23	23	25	26
Disbursements	63	-48	41	93	44	2	19	26	25
Total Assets	85	33	9	37	34	23	20	24	25
NII	69	30	31	36	34	27	16	16	21
PPOP	76	28	27	27	42	30	17	14	20
PAT	67	37	26	33	39	28	11	12	21
EPS	57	37	10	33	38	27	11	12	21

									(%)
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Spreads Analysis (%)									
Yield on loans	25.2	24.8	25.4	25.1	25.6	25.9	24.6	23.4	22.8
Cost of funds	13.1	11.3	10.0	7.8	8.9	9.4	8.7	8.6	8.5
Spread	12.1	13.5	15.4	17.3	16.8	16.5	15.9	14.8	14.3
Net Interest Margin	17.6	16.5	19.0	20.6	19.9	19.6	18.7	17.6	16.9
Profitability Ratios & Capital Structure (%)									
Debt-Equity ratio	1.2	1.5	0.7	1.0	1.2	1.3	1.3	1.4	1.6
Capital adequacy - CRAR	52.9	58.9	75.2	67.2	50.5	50.1	40.6	37.5	35.0
Leverage	2.2	2.5	1.7	2.0	2.2	2.3	2.3	2.5	2.6
Int. Expended/Int.Earned	29.1	32.3	25.0	17.8	22.1	24.1	23.7	24.8	26.0
RoA	**7.8**	**7.1**	**7.5**	**8.0**	**8.2**	**8.2**	**7.5**	**6.9**	**6.7**
RoE	**15.8**	**16.8**	**15.0**	**15.0**	**17.5**	**18.7**	**17.3**	**16.5**	**17.0**
Cost/Productivity Ratios (%)									
Cost/Income	30.1	29.3	32.0	34.7	32.2	30.9	31.0	32.3	32.5
Op. Exps./Avg Assets	5.1	4.2	5.0	5.8	5.4	5.2	5.0	5.0	4.8
Op. Exps./Avg AUM	5.7	5.1	6.4	7.3	6.7	6.3	6.0	5.9	5.7
Other Inc./Net Income	7.1	5.0	5.5	2.4	4.5	4.5	5.2	4.9	4.6
AUM/employee (INR m)	10.4	11.3	8.9	9.4	10.3	10.0	11.7	13.4	15.5
AUM/ branch (INR m)	154.5	169.7	168.9	185.4	185.4	158.8	176.1	200.9	232.8
Empl. Cost/Op. Exps. (%)	74.2	77.3	77.2	79.1	77.2	76.8	75.3	74.6	74.1
Asset Quality									
Gross NPAs (INR m)	532	452	530	939	1,328	2,123	3,750	3,986	4,661
Gross NPA (%)	**1.4**	**1.0**	**1.0**	**1.4**	**1.4**	**1.8**	**2.6**	**2.2**	**2.0**
Net NPAs (INR m)	438	371	345	476	608	1,034	2,137	2,192	2,563
Net NPA (%)	1.1	0.8	0.7	0.7	0.6	0.9	1.5	1.2	1.1
PCR (%)	**17.7**	**18.0**	**34.9**	**49.3**	**54.3**	**51.3**	**43.0**	**45.0**	**45.0**
Credit costs (% of gross loans)	**1.6**	**0.8**	**1.0**	**0.3**	**0.67**	**0.83**	**1.43**	**1.46**	**1.36**
VALUATION									
Book Value (INR)	77	91	127	149	178	214	252	296	348
Price-BV (x)	**7.9**	**6.6**	**4.7**	**4.0**	**3.4**	**2.8**	**2.4**	**2.0**	**1.7**
EPS (INR)	10	14	16	21	29	36	40	45	55
EPS Growth YoY	57	37	10	33	38	27	11	12	21
Price-Earnings (x)	**58**	**43**	**39**	**29**	**21**	**17**	**15**	**13**	**11**
DPS (INR)	0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.5	2.5
Dividend yield (%)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.3**	**0.3**	**0.4**	**0.4**

E: MOFSL Estimates

NOTES

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BUY	>=15%
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NEUTRAL	< - 10 % to 15%
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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.