Five-Star Business Finance

BSE SENSEX	S&P CNX
77,094	24,103

Bloomberg	FIVESTAR IN
Equity Shares (m)	295
M.Cap.(INRb)/(USDb)	148.6 / 1.6
52-Week Range (INR)	795 / 338
1, 6, 12 Rel. Per (%)	11/-2/-26
12M Avg Val (INR M)	931

Financials &valuations (INR b)

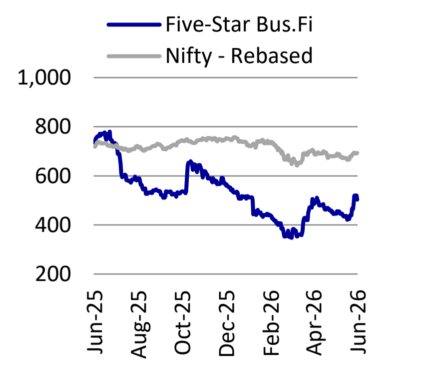
Y/E March	FY26	FY27E	FY28E
NII	23.9	26.8	31.2
PPoP	16.8	18.2	21.0
PAT	11.0	11.9	13.8
EPS (INR)	37	40.4	47
EPS Growth (%)	2	9	16
BVPS (INR)	250	288	333
Ratios			
NIM	19.4	18.8	18.1
C/I ratio	33.1	35.2	35.5
Credit Costs	1.7	1.6	1.5
RoAA	7.3	6.9	6.6
RoAE	16.1	15.0	15.0
Dividend Payout	5.4	6.2	5.4
Valuation			
P/E (x)	13.5	12.4	10.7
P/BV (x)	2.0	1.7	1.5
Div. Yield (%)	0.4	0.5	0.5

Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	18.6	18.6	21.5
DII	17.6	14.7	9.1
FII	48.5	52.9	58.8
Others	15.3	13.8	10.7

FII includes depository receipts

Stock performance (one year)



CMP: INR503 TP: INR600 (+19%) Buy

Stress cycle behind, growth cycle ahead

Collection trends improving, and business momentum gaining traction

Five-Star Business Finance (Five-Star) has exited a year of portfolio repair and has entered a phase of calibrated growth, supported by improving collections, stabilizing asset quality, and recovering disbursement momentum, while retaining one of the highest profitability profiles in the secured lending universe.

- Five-Star appears to be transitioning from a year of portfolio stabilization toward a more balanced growth phase, underpinned by improving collection trends, moderation in fresh stress formation, recovery in disbursement momentum, and strengthening business activity across its core markets.
- FY26 was one of the most challenging years for the company, as stress originating from unsecured lending and the MFI segment spilled over into micro-LAP. In response, management consciously prioritized collections, portfolio quality, and borrower discipline over near-term growth. With collection trends improving materially and portfolio behavior stabilizing, the company is now gradually shifting its focus back to growth while maintaining a disciplined underwriting approach.
- We expect disbursements in 1QFY27 to exceed INR14b (PQ: ~INR12.1b), marking the first time the company reaches these levels since 4QFY25. While AUM growth (we estimate ~10% YoY as of Jun'26) may appear relatively muted due to a higher base effect, we expect AUM growth to pick up momentum over the coming quarters. We model an AUM CAGR of ~21% over FY26-FY28E.
- Collection performance has strengthened steadily over the past few months, with overall collection efficiency expected to exceed 98% in 1QFY27. More importantly, current bucket's collection efficiency has consistently remained above 99%, indicating meaningful moderation in fresh stress formation and improving borrower repayment behavior. With collection trends approaching historically healthy levels, we believe the company has largely moved beyond the peak of the stress cycle, setting the stage for a gradual normalization in asset quality and credit costs.
- On the profitability front, management expects portfolio yields to decline 50-60bp over the next few quarters before stabilizing. Consequently, spreads could compress by 30-35bp, resulting in NIM moderation. We estimate NIMs of 18.8%/18.1% in FY27/FY28E (vs. 19.4% in FY26).
- We believe Five-Star is well positioned to return to a healthier growth trajectory over FY27, supported by strong branch economics, improving traction across southern markets, and deeper penetration into its newer geographies. The stock currently trades at 1.7x FY27 P/BV. We estimate Five Star to deliver a CAGR of ~21%/12% in AUM/PAT over FY26-28E, along with RoA/RoE of 6.6%/15% in FY28E. **We reiterate our BUY rating on the stock with a TP of INR600 (premised on 1.8x Mar'28E P/BV).**

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Strengthening the core franchise through diversification and network expansion

- While the core small-ticket LAP business remains the primary growth driver, management reiterated its long-term objective of gradually evolving Five-Star into a more diversified retail-lending franchise. Five-Star is firmly focused on its core customer segment. The INR300k-500k ticket-size category continues to account for the largest share of the company’s portfolio and remains its key profitability sweet spot.
- That said, management increasingly views product diversification as a strategic lever to reduce concentration risk, deepen customer relationships, and enhance lifetime customer value. Affordable housing finance, larger-ticket LAP products, and gold loans remain the key adjacencies under evaluation. Five-Star expects groundwork, hiring, and pilot launches for these businesses to commence during 3Q/4QFY27. While contributions from these products are likely to remain immaterial during FY27, meaningful scale-up could begin from FY28.
- Alongside product diversification, branch expansion remains a key growth enabler. Management plans to add 70-80 branches annually, with nearly 60-70% of new branches concentrated in its core markets of Tamil Nadu, Andhra Pradesh, and Telangana. Simultaneously, the company continues to deepen its presence in emerging markets such as Maharashtra, Uttar Pradesh, and Chhattisgarh, which are expected to be important contributors to future growth. We estimate Five-Star to deliver an AUM CAGR of ~21% over FY26-28E.

Yield compression nearing an end; NIM to moderate

- Despite a ~200bp decline in disbursement yields over the past 18 months, spreads have remained broadly resilient, aided by a favorable funding environment and lower borrowing costs. However, management expects the benefit from declining funding costs to moderate going forward.
- Borrowing costs are anticipated to remain broadly stable in 1QFY27, although the incremental cost of funds could rise ~15-20bp as Five-Star raises a larger share of funding from banks and institutional lenders. On the asset side, portfolio yields are likely to dip by another ~50-60bp before stabilizing at around 22%.
- As a result, management expects spreads to compress by ~30-35bp over the next one year. Consequently, NIMs are also likely to moderate, reflecting both spread compression and the impact of increasing leverage. Management expects spreads to stabilize around ~13.5%. We estimate NIMs of 18.8%/18.1% in FY27/FY28 compared with 19.4% in FY26.

Opex to remain elevated amid continued investments

- Near-term operating expenses are projected to remain elevated as the company continues to invest in collection infrastructure, branch expansion, and employee retention. Investments in strengthening the collections organization, higher performance-linked incentives, and rising retention costs amid increasing competition are likely to offset the benefits of operating leverage.
- In addition, Five-Star intends to maintain its branch rollout strategy, opening 70-80 branches annually across both existing and newer markets. Consequently, management expects operating expenses to remain broadly stable at ~7.0-7.25% of average AUM during FY27, despite an acceleration in business growth. We estimate the cost-to-income ratio to remain around 35-36% over FY27-28.

Asset quality pressures ease; collections trends continue to improve

- Management believes that the stress witnessed over the past year was largely cyclical and driven by spillover effects from excessive leverage created by unsecured lenders and MFIs, rather than any structural weakness in Five-Star's secured lending model. Encouragingly, collection trends have improved meaningfully across key geographies, with performance remaining stable across delinquency buckets in 1QFY27 and no evidence of fresh stress formation.
- A key contributor to the improvement has been the successful separation of business and collection functions. The initiative has now been implemented across the company's three largest states, covering nearly 80-85% of the portfolio, resulting in greater accountability and improved collection outcomes.
- From a geographic perspective, portfolio performance remains broadly stable. Karnataka continues to be the only notable exception due to ordinance-related disruptions, although collection efficiency remains healthy at over 97%. Tamil Nadu continues to be one of the strongest-performing markets, while Maharashtra has also demonstrated robust portfolio performance despite its relatively smaller contribution to the overall book.
- Management further highlighted that the company has minimal exposure to segments vulnerable to geopolitical disruptions or remittance-related stress. Exposure to small eateries and remittance-dependent borrowers remains below 1% of the portfolio. We estimate credit costs at ~1.6%/1.5% of gross loans in FY27/FY28.

Valuation and view

- We believe FY26 represented a cyclical normalization phase rather than a structural impairment of Five-Star's business model. Improving collection trends, moderation in fresh stress formation, stable portfolio performance across key markets, and recovering disbursement momentum reinforce our view that the company has largely moved beyond the peak of the stress cycle.
- Management has navigated the challenging environment with a conscious focus on portfolio quality, collections, and organizational preparedness rather than pursuing growth at the expense of risk discipline. With collection trends stabilizing and business momentum improving, we believe Five-Star is now transitioning from a phase of stabilization to one of calibrated growth.
- The stock currently trades at 1.7x FY27E P/BV. We estimate Five-Star to deliver an AUM/PAT CAGR of ~21%/12% over FY26-28E, while generating RoA/RoE of 6.6%/15% in FY28E. We reiterate our BUY rating with a TP of INR600, based on 1.8x Mar'28E P/BV.
- **Key risks:** 1) slippages remaining at elevated levels and 2) a slower-than-anticipated recovery in disbursement growth if portfolio normalization takes longer to sustain.

Exhibit 1: Valuation metrics for the MOFSL NBFC Coverage Universe

Val summary	Rating	CMP (INR)	MCap (INRb)	EPS (INR)		BV (INR)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)	
				FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
MSME															
Five-Star	Buy	504	152	40.4	46.7	288	333	6.9	6.6	15.0	15.0	12.5	10.8	1.7	1.5
Housing Finance															
LIC HF	Neutral	549	302	103.6	114.0	834	926	1.7	1.7	13.1	12.9	5.3	4.8	0.7	0.6
PNB HF	Buy	1,011	261	94.1	109.9	824	924	2.4	2.3	12.1	12.6	10.7	9.2	1.2	1.1
Bajaj Housing	Neutral	89	737	3.7	4.5	31	35	2.2	2.2	12.9	13.7	23.9	19.6	2.9	2.5
Aavas	Neutral	1,466	117	97.1	116.4	734	851	3.3	3.4	14.2	14.7	15.1	12.6	2.0	1.7
HomeFirst	Buy	1,147	120	62.2	72.2	475	543	3.9	3.7	13.9	14.2	18.4	15.9	2.4	2.1
CanFin	Neutral	892	118	80.3	92.8	515	593	2.3	2.3	16.7	16.7	11.1	9.6	1.7	1.5
Repco	Neutral	393	25	71.5	80.1	691	766	2.6	2.6	10.9	11.0	5.5	4.9	0.6	0.5
Vehicle Finance															
Cholamandalam	Buy	1,718	1,445	74.3	94.6	434	526	2.4	2.6	18.8	19.7	23.1	18.2	4.0	3.3
MMFS	Buy	294	409	24.0	28.3	195	215	2.1	2.2	12.9	13.8	12.3	10.4	1.5	1.4
Shriram Finance	Buy	993	1,885	54.1	68.0	491	547	3.6	3.8	14.0	13.1	18.4	14.6	2.0	1.8
Indostar	Buy	247	40	13.7	21.2	248	269	2.1	2.7	5.7	8.2	18.0	11.7	1.0	0.9
Gold Finance															
Muthoot	Neutral	3,217	1,254	290.3	334.6	1,189	1,476	5.8	5.6	27.3	25.1	11.1	9.6	2.7	2.2
Manappuram	Neutral	327	269	19.6	26.6	187	208	2.5	3.0	11.5	13.5	16.7	12.3	1.7	1.6
Diversified															
BAF	Neutral	968	5,977	40.2	50.0	222	265	4.0	4.1	19.6	20.5	24.1	19.4	4.4	3.7
Poonawalla	Buy	425	345	17.5	29.4	164	191	2.0	2.4	12.4	16.6	24.3	14.5	2.6	2.2
ABCL	Buy	392	984	18.6	24.3	144	165	-	-	13.5	15.7	21.0	16.1	2.7	2.4
LTFH	Buy	289	718	15.6	19.6	125	140	2.5	2.6	13.2	14.8	18.6	14.7	2.3	2.1
Piramal Finance	Buy	2,086	485	106.6	163.0	1,342	1,480	2.0	2.6	8.2	11.5	19.6	12.8	1.6	1.4
MAS Financial	Buy	316	58	24.1	29.0	182	208	2.9	2.9	14.1	14.9	13.1	10.9	1.7	1.5
IIFL Finance	Buy	538	226	52.6	72.3	376	442	2.4	2.7	15.0	17.7	10.2	7.4	1.4	1.2
HDB Financial	Neutral	723	596	35.7	43.9	285	328	2.3	2.5	13.4	14.3	20.3	16.4	2.5	2.2
Jio Financial	Buy	243	1,554	3.4	5.1	234	257	2.0	2.4	5.7	8.9	71.5	47.5	1.0	0.9
Northern Arc	Buy	298	48	33.1	44.6	275	319	2.9	3.2	12.8	15.0	9.0	6.7	1.1	0.9
Microfinance															
CreditAccess	Buy	1,410	225	96.5	116.8	586	703	4.4	4.4	17.9	18.1	14.6	12.1	2.4	2.0
Fusion Finance	Buy	178	29	20.3	23.9	172	196	3.7	3.8	12.5	13.0	8.8	7.4	1.0	0.9
Spandana Sphoorty	Neutral	263	20	16.0	43.6	279	322	2.0	4.3	6.1	14.5	16.5	6.0	0.9	0.8
Power Financiers															
PFC	Buy	441	1,423	60.8	66.7	353	400	3.1	3.2	18.3	17.7	7.3	6.6	1.2	1.1
REC	Buy	370	935	63.1	68.7	365	412	2.5	2.4	18.4	17.7	5.9	5.4	1.0	0.9

Story in charts

Exhibit 2: Disbursement CAGR of ~27% over FY26-28E

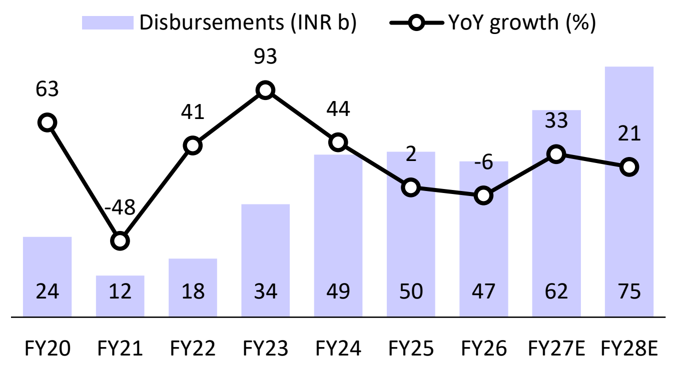


Exhibit 3: AUM CAGR of ~21% over FY26-28E

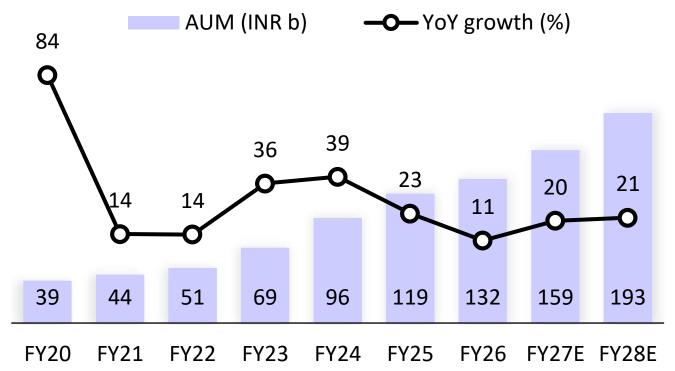


Exhibit 4: Spreads to remain broadly stable going forward

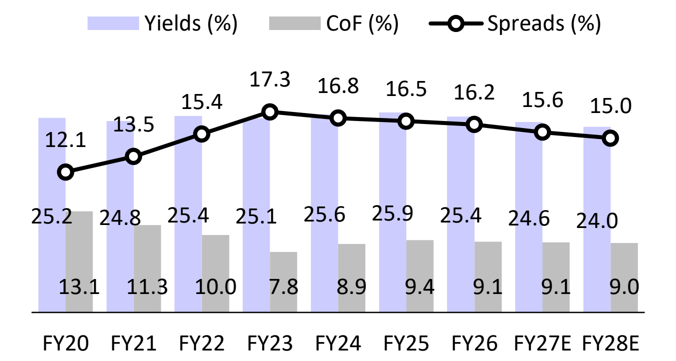


Exhibit 5: NIM to witness a gradual dip over FY27-28E

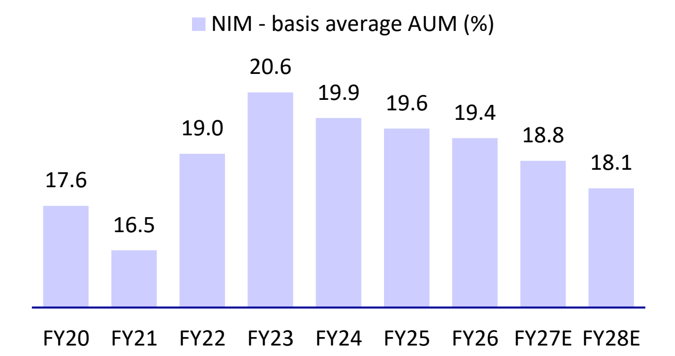


Exhibit 6: Opex-to-AUM ratio to inch up in FY27E

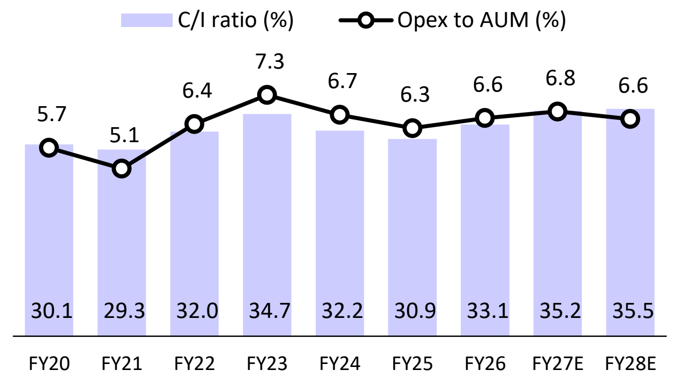


Exhibit 7: Asset quality to improve from FY27

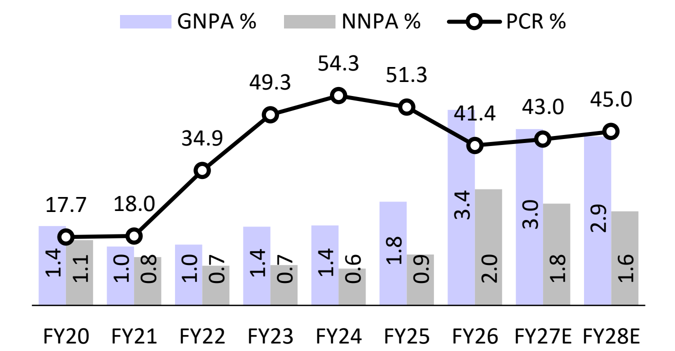
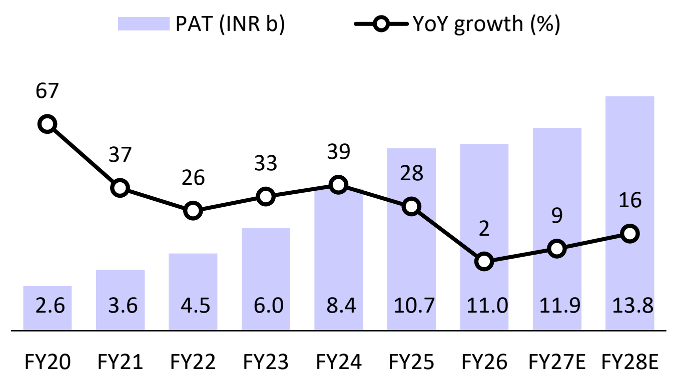
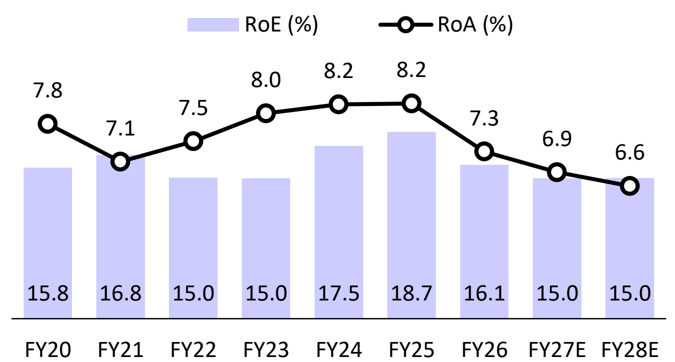


Exhibit 8: PAT CAGR of ~12% over FY26-FY28E



Source: MOFSL, Company

Exhibit 9: Healthy RoA/RoE of 6.6%/15% by FY28E



Source: MOFSL, Company

Strengthening the core franchise with diversification

- Five-Star is focused on its core INR300-500k borrower segment, which remains its key growth and profitability sweet spot, with over 50% of the AUM concentrated within this category. The company expects the long-term mix to stabilize at roughly 25% sub-INR300k ATS loans, 55% in INR300-500k loans, and 20% above INR500k.
- We believe the company is now transitioning from a defensive phase toward calibrated expansion. Growth moderation during FY26 was largely a conscious decision driven by elevated borrower leverage and stress within lower-ticket borrowers across the ecosystem rather than weak underlying demand.
- We expect FY27 to represent a transition and recovery year for the company, with management targeting ~20% AUM growth as business momentum gradually improves. As portfolio stress normalizes and operating confidence strengthens, growth is expected to accelerate further, with AUM growth likely to exceed 20% in FY28. Southern markets, which had earlier witnessed stress due to borrower overleveraging, are now stabilizing and could re-emerge as key growth drivers.

Exhibit 10: Disbursement CAGR of ~27% over FY26-28E

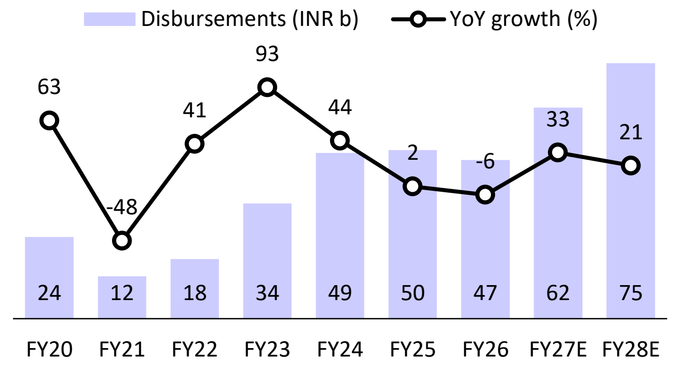


Exhibit 11: AUM CAGR of ~21% over FY26-28E

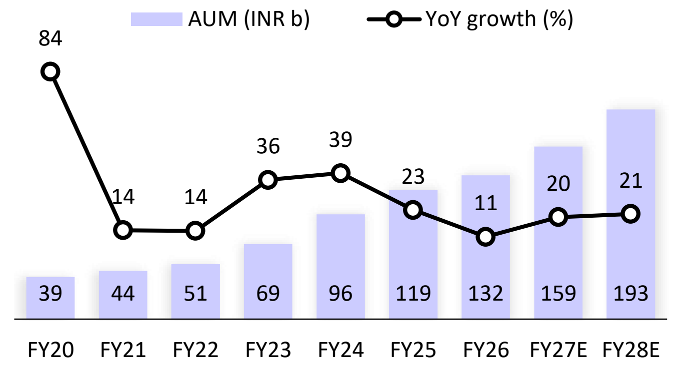
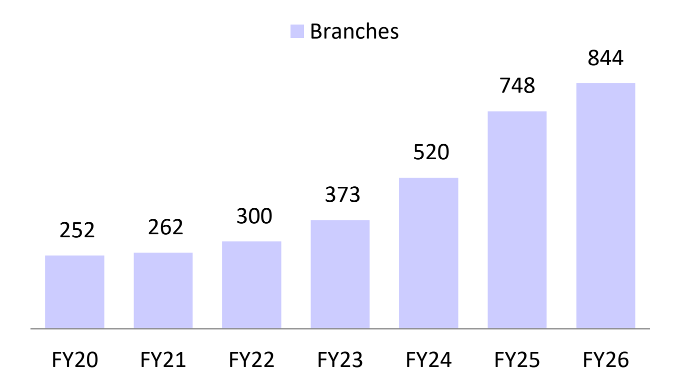
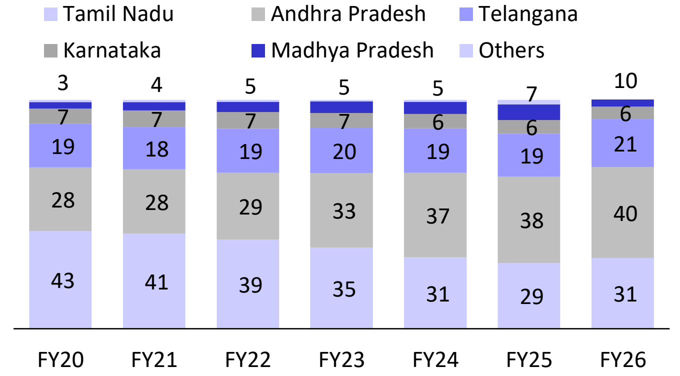


Exhibit 12: Strong branch network expansion...



Source: MOFSL, Company

Exhibit 13: ...with well-diversified AUM across states (%)



Source: MOFSL, Company

Diversification emerging as the next growth lever

- Among the new initiatives, affordable housing, larger ticket LAP and gold loans appear particularly synergistic with the company's existing customer franchise. Gold loans are expected to target existing customers with average ticket sizes of INR100-200k and could potentially be distributed through the existing branch infrastructure without requiring dedicated branches.

- Larger-ticket LAP products are expected to carry ticket sizes of INR1.5-2.0mn and yields of ~17-18%, allowing the company to participate in adjacent customer segments while leveraging its underwriting capabilities.
- At the same time, the company continues to refine its portfolio mix. Management expects the long-term portfolio composition to stabilize at roughly 25% for loans below INR300k, 55% for loans between INR300k and INR500k, and ~20% for loans above INR500k.
- Competitive intensity also remains relatively favorable in the sub-INR500k LAP segment, as several competitors have gradually moved towards larger-ticket products. This is improving customer acquisition opportunities while simultaneously enhancing borrower selection quality.

Technology and AI investments continue to strengthen operating capabilities

- Five-Star recently completed its migration to Flexcube, significantly enhancing scalability and system stability. Additionally, management has implemented a proprietary predictive credit scoring engine that leverages internal borrower data to estimate future delinquency probabilities and strengthen underwriting quality.
- Management highlighted multiple ongoing AI initiatives across document verification, KYC validation, fraud detection, collection analytics, and customer onboarding. The company is also piloting speech-to-text and speech-to-data solutions aimed at automating field inspection reports and reducing manual effort. To further strengthen analytics capabilities, Five-Star has hired a senior data scientist focused on improving utilization of its data lake and enhancing predictive decision-making.

Exhibit 14: Opex-to-AUM ratio to inch up in FY27E

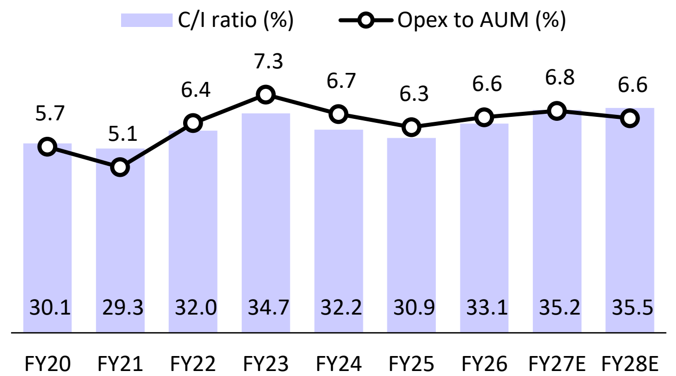
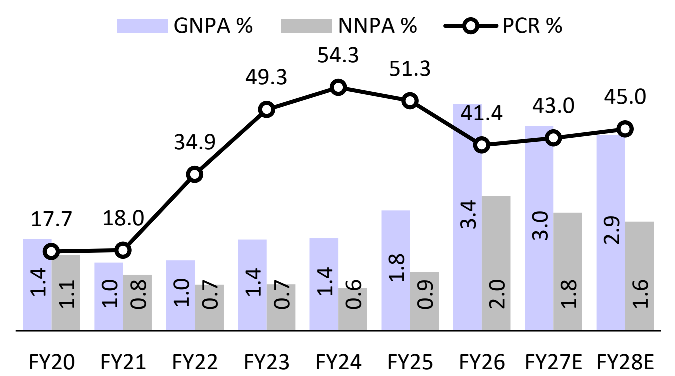


Exhibit 15: Asset quality to improve from FY27



Asset quality stress easing; collections trends continue to stabilize

- Management indicated that the stress witnessed over the last year was not structural to its secured lending model but largely a spillover from excessive leverage created by unsecured lenders and MFIs, which eventually impacted borrower repayment behavior across the ecosystem. Encouragingly, collection trends across key geographies have shown meaningful improvement recently, with collection performance in 1QFY27 remaining stable across buckets.
- A key driver of the improvement has been the separation of business and collection functions. The initiative has now been implemented across the company's three largest states, covering nearly 80–85% of the portfolio. Dedicated business and collection teams are expected to enhance execution

quality, improve accountability, and strengthen both growth and collection outcomes over time. Management believes this structural change will support better portfolio discipline and operational efficiency going forward.

- The company has also notably strengthened its recovery infrastructure through a three-tier recovery framework comprising sourcing teams, dedicated collection teams for delinquent accounts, and a specialized legal recovery vertical focused on NPA accounts. To further strengthen recovery efforts and borrower discipline, Five-Star has added nearly 150 lawyers to its legal recovery network.

Exhibit 16: Credit costs to gradually decline

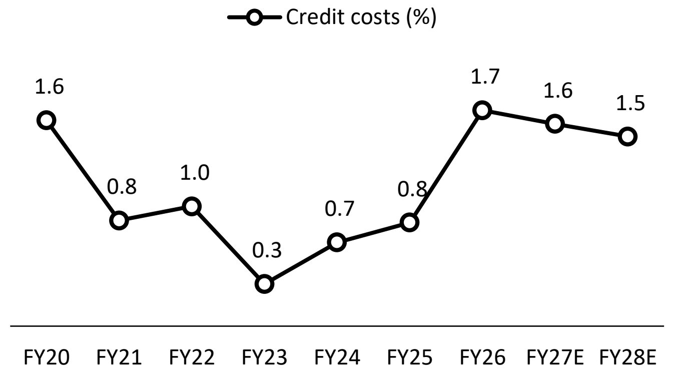
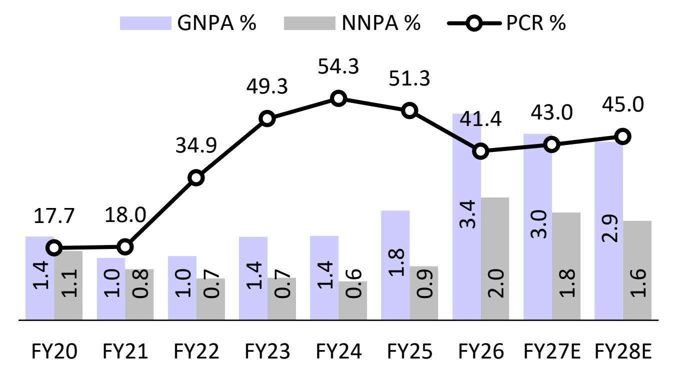


Exhibit 17: Asset quality to improve from FY27



- Geographically, portfolio performance remains largely stable across markets. Karnataka continues to be the only notable outlier due to ordinance-related disruptions, although collection efficiency in the state remains healthy at over 97%. Tamil Nadu continues to be one of the strongest-performing markets, while Maharashtra is also delivering excellent portfolio performance despite representing a relatively smaller share of the overall portfolio.
- Given the improvement in collection trends and the strengthening of recovery efforts, management expects credit costs to remain at ~1.7-1.8% of average AUM in FY27 before gradually normalizing to ~1.5-1.6% from FY28. Five-Star appears comfortable operating with slightly higher credit costs than historical levels, provided portfolio growth, recoveries, and overall lifetime losses remain within acceptable limits.
- Further, the company is not witnessing any material stress from geopolitical developments or remittance-linked disruptions, as exposure to vulnerable borrower segments such as small eateries and remittance-dependent borrowers remains negligible at below 1% of the portfolio. We estimate credit costs (as a % of gross loans) at ~1.6%/1.5% in FY27/FY28 (vs. ~1.7% in FY26).

Management strength and human capital

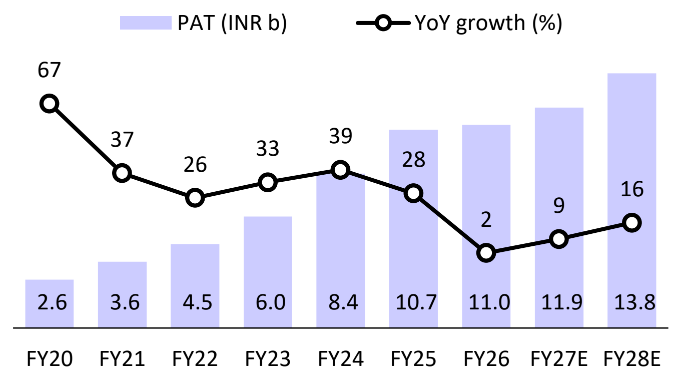
- Five-Star reiterated that the senior leadership team remains stable despite the departure of Ranga and a limited number of employees, with no disruption to the company's broader strategic or operational execution.
- While field-level attrition remains relatively elevated at ~37-38%, it has improved by 4-5% from previous levels. Importantly, attrition is largely concentrated among employees with less than one year of tenure, whereas attrition among more experienced personnel remains significantly lower, with branch manager attrition at ~15-18% and supervisor attrition continuing to remain in single digits.

- The company also shared that it has made substantial investments in building organizational depth and capacity over the past few years. As a result, the existing infrastructure, talent pool, and management bandwidth are considered sufficient to support a significantly larger business scale, and management does not view organizational capacity as a constraint to future growth.

Valuation and View

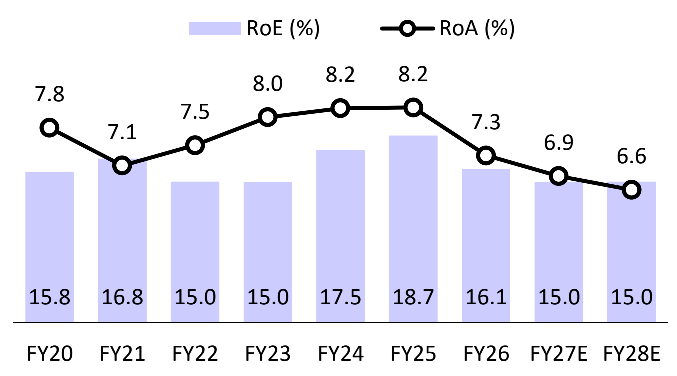
- Five-Star has navigated the current environment with deliberate caution, prioritizing stability, portfolio quality, and organizational readiness over near-term growth optics. We believe Five-Star is now moving out of a stabilization phase and re-entering a calibrated growth phase with improving confidence around collections, portfolio quality, and operating momentum.
- Management expects earnings growth to remain relatively modest at around 10–11% in FY27, primarily due to elevated employee expenses and continued investments in talent retention and organizational strengthening. However, as operating efficiencies improve and the benefits of these investments begin to materialize, profit growth is likely to normalize to ~15-18% annually from FY28.
- The company's strategic focus has increasingly shifted towards delivering consistent and sustainable growth with stable profitability, rather than pursuing periods of aggressive expansion that could lead to greater earnings volatility.
- The stock currently trades at 1.6x FY27E P/BV. We estimate Five Star to deliver an AUM/PAT CAGR of ~21%/12% over FY26-28, along with an RoA/RoE of 6.6%/15% in FY28E. **We reiterate a BUY rating on the stock with a TP of INR600 (premised on 1.8x Mar'28E P/BV).**
- **Key risks:** 1) further deterioration in asset quality and 2) a delay in disbursement volume pickup if portfolio stability takes longer to materialize.

Exhibit 18: PAT CAGR of ~12% over FY26-FY28E



Source: MOFSL, Company

Exhibit 19: Healthy RoA/RoE of 6.6%/15% by FY28E



Source: MOFSL, Company

Exhibit 20: DuPont Analysis

%	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Interest Income	22.3	20.0	19.8	19.9	20.8	21.2	20.7	20.2	19.8
Interest Expended	6.5	6.5	5.0	3.5	4.6	5.1	4.9	4.8	4.9
Net Interest Income	**15.8**	**13.5**	**14.9**	**16.4**	**16.2**	**16.1**	**15.8**	**15.5**	**14.9**
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**	**16.6**	**16.2**	**15.6**
Operating Expenses	**5.1**	**4.2**	**5.0**	**5.8**	**5.4**	**5.2**	**5.5**	**5.7**	**5.5**
Operating Profit	**11.9**	**10.1**	**10.7**	**11.0**	**11.5**	**11.6**	**11.1**	**10.5**	**10.1**
Provisions	1.5	0.7	0.8	0.3	0.5	0.7	1.4	1.4	1.3
PBT	**10.4**	**9.4**	**10.0**	**10.7**	**10.9**	**11.0**	**9.7**	**9.2**	**8.8**
Tax	2.6	2.3	2.5	2.7	2.7	2.7	2.4	2.3	2.2
Tax Rate (%)	*25.0*	*24.7*	*24.9*	*25.0*	*25.1*	*25.0*	*24.9*	25.0	25.0
PAT	**7.8**	**7.1**	**7.5**	**8.0**	**8.2**	**8.2**	**7.3**	**6.9**	**6.6**
Leverage	2.0	2.4	2.0	1.9	2.1	2.3	2.2	2.2	2.3
RoE	**15.8**	**16.8**	**15.0**	**15.0**	**17.5**	**18.7**	**16.1**	**15.0**	**15.0**

E: MOFSL Estimates

Financials and Valuation

Income statement

INR m

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Interest Income	7,468	10,149	12,038	14,988	21,166	27,663	31,291	35,161	41,379
Interest Expended	2,174	3,279	3,006	2,663	4,685	6,680	7,372	8,313	10,219
Net Interest Income	**5,295**	**6,870**	**9,032**	**12,325**	**16,481**	**20,983**	**23,919**	**26,847**	**31,160**
Change (%)	69	30	31	36	34	27	14	12	16
Fees and Commissions (Legal and Technical Fees)	297	217	294	138	219	322	465	497	527
Net gain on fair value changes	102	132	209	83	443	494	425	446	468
Non-Operating Income (including recovery of bad debts)	6	15	21	81	123	182	278	362	453
Other Income	405	364	524	301	785	997	1,168	1,305	1,447
Net Income	**5,700**	**7,234**	**9,556**	**12,627**	**17,266**	**21,980**	**25,088**	**28,153**	**32,608**
Change (%)	72	27	32	32	37	27	14	12	16
Employees Cost	1,271	1,637	2,361	3,464	4,286	5,211	6,299	7,433	8,548
Depreciation	101	114	122	173	246	304	370	437	515
Others	342	367	575	741	1,021	1,270	1,627	2,034	2,502
Operating Expenses	1,713	2,118	3,058	4,378	5,553	6,785	8,296	9,903	11,565
Operating Profit (PPoP)	**3,986**	**5,116**	**6,497**	**8,249**	**11,713**	**15,196**	**16,792**	**18,249**	**21,043**
Change (%)	76	28	27	27	42	30	11	9	15
Provisions/write offs	493	352	455	201	554	890	2,163	2,349	2,661
PBT	**3,493**	**4,764**	**6,042**	**8,048**	**11,160**	**14,306**	**14,629**	**15,900**	**18,382**
Tax	874	1,174	1,507	2,012	2,800	3,581	3,641	3,975	4,595
Tax Rate (%)	25.0	24.7	24.9	25.0	25.1	25.0	24.9	25.0	25.0
Reported PAT	**2,620**	**3,590**	**4,535**	**6,035**	**8,359**	**10,725**	**10,988**	**11,925**	**13,786**
Change (%)	67	37	26	33	39	28	2	9	16
Proposed Dividend (incl. tax)	0	0	0	0	0	589	590	738	738

Balance sheet

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Capital	254	255	291	291	292	294	295	295	295
Reserves & Surplus	19,190	22,925	36,812	43,104	51,669	62,752	73,506	84,841	97,890
Net Worth	**19,444**	**23,180**	**37,104**	**43,395**	**51,962**	**63,046**	**73,802**	**85,136**	**98,185**
Borrowings	23,637	34,252	25,588	42,473	63,158	79,220	82,004	1,01,308	1,26,283
Change (%)	146	45	-25	66	49	25	4	24	25
Other liabilities	451	504	739	1,160	1,768	1,940	2,092	2,928	3,953
Total Liabilities	**43,532**	**57,936**	**63,431**	**87,028**	**1,16,888**	**1,44,206**	**1,57,897**	**1,89,372**	**2,28,421**
Loans	38,308	43,587	51,024	68,222	96,851	1,16,868	1,29,848	1,55,691	1,88,764
Change (%)	83	14	17	34	42	21	11	20	21
Investments	0	0	2,482	1,446	1,077	2,122	2,271	2,498	2,748
Change (%)				-42	-26	97	7	10	10
Net Fixed Assets	279	249	328	449	643	1,487	1,546	1,932	2,415
Other assets	4,945	14,100	9,597	16,914	18,317	23,728	24,233	29,251	34,493
Total Assets	**43,532**	**57,936**	**63,431**	**87,030**	**1,16,888**	**1,44,206**	**1,57,897**	**1,89,372**	**2,28,421**

E: MOFSL Estimates

Financials and Valuation

AUM Mix (%)									
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
AUM	38,922	44,454	50,671	69,148	96,406	1,18,770	1,32,246	1,58,726	1,92,704
YoY Growth (%)	**84**	**14**	**14**	**36**	**39**	**23**	**11**	**20**	**21**
Disbursements	24,087	12,451	17,562	33,915	48,814	49,697	46,757	62,187	75,246
YoY Growth (%)	**63**	**-48**	**41**	**93**	**44**	**2**	**-6**	**33**	**21**

Ratios									
Growth %	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
AUM	84	14	14	36	39	23	11	20	21
Disbursements	63	-48	41	93	44	2	-6	33	21
Total Assets	85	33	9	37	34	23	9	20	21
NII	69	30	31	36	34	27	14	12	16
PPOP	76	28	27	27	42	30	11	9	15
PAT	67	37	26	33	39	28	2	9	16
EPS	57	37	10	33	38	27	2	9	16

								(%)	**(%)**
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Spreads Analysis (%)									
Yield on loans	25.2	24.8	25.4	25.1	25.6	25.9	25.4	24.6	24.0
Cost of funds	13.1	11.3	10.0	7.8	8.9	9.4	9.1	9.1	9.0
Spread	12.1	13.5	15.4	17.3	16.8	16.5	16.2	15.6	15.0
Net Interest Margin	17.6	16.5	19.0	20.6	19.9	19.6	19.4	18.8	18.1
Profitability Ratios & Capital Structure (%)									
Debt-Equity ratio	1.2	1.5	0.7	1.0	1.2	1.3	1.1	1.2	1.3
Capital adequacy - CRAR	52.9	58.9	75.2	67.2	50.5	50.1	45.0	42.7	40.1
Leverage	2.2	2.5	1.7	2.0	2.2	2.3	2.1	2.2	2.3
Int. Expended/Int.Earned	29.1	32.3	25.0	17.8	22.1	24.1	23.6	23.6	24.7
RoA	**7.8**	**7.1**	**7.5**	**8.0**	**8.2**	**8.2**	**7.3**	**6.9**	**6.6**
RoE	**15.8**	**16.8**	**15.0**	**15.0**	**17.5**	**18.7**	**16.1**	**15.0**	**15.0**
Cost/Productivity Ratios (%)									
Cost/Income	30.1	29.3	32.0	34.7	32.2	30.9	33.1	35.2	35.5
Op. Exps./Avg Assets	5.1	4.2	5.0	5.8	5.4	5.2	5.5	5.7	5.5
Op. Exps./Avg AUM	5.7	5.1	6.4	7.3	6.7	6.3	6.6	6.8	6.6
Other Inc./Net Income	7.1	5.0	5.5	2.4	4.5	4.5	4.7	4.6	4.4
AUM/employee (INR m)	10.4	11.3	8.9	9.4	10.3	10.0	9.3	11.5	12.8
AUM/ branch (INR m)	154.5	169.7	168.9	185.4	185.4	158.8	156.7	171.8	191.9
Empl. Cost/Op. Exps. (%)	74.2	77.3	77.2	79.1	77.2	76.8	75.9	75.1	73.9
Asset Quality									
Gross NPAs (INR m)	532	452	530	939	1,328	2,123	4,461	4,831	5,614
Gross NPA (%)	**1.4**	**1.0**	**1.0**	**1.4**	**1.4**	**1.8**	**3.4**	**3.0**	**2.9**
Net NPAs (INR m)	438	371	345	476	608	1,034	2,614	2,754	3,087
Net NPA (%)	1.1	0.8	0.7	0.7	0.6	0.9	2.0	1.8	1.6
PCR (%)	**17.7**	**18.0**	**34.9**	**49.3**	**54.3**	**51.3**	**41.4**	**43.0**	**45.0**
Credit costs (% of gross loans)	**1.6**	**0.8**	**1.0**	**0.3**	**0.67**	**0.83**	**1.72**	**1.61**	**1.51**
VALUATION									
Book Value (INR)	77	91	127	149	178	214	250	288	333
Price-BV (x)	**6.5**	**5.5**	**3.9**	**3.4**	**2.8**	**2.3**	**2.0**	**1.7**	**1.5**
EPS (INR)	10	14	16	21	29	36	37	40	47
EPS Growth YoY	57	37	10	33	38	27	2	9	16
Price-Earnings (x)	**49**	**36**	**32**	**24**	**18**	**14**	**13**	**12**	**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**	**0.4**	**0.4**	**0.5**	**0.5**

E: MOFSL Estimates

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SELL	< - 10%
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