

Five-Star Business Finance

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



Bloomberg	FIVESTAR IN
Equity Shares (m)	295
M.Cap.(INRb)/(USD\$b)	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

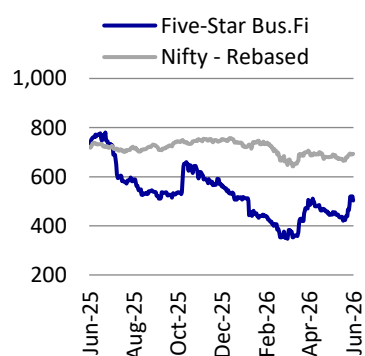
P/E (x)	13.5	12.4	10.7
P/BV (x)	2.0	1.7	1.5
Div. Yield (%)	0.4	0.5	0.5

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).**

Research Analyst: Abhijit Tibrewal (Abhijit.Tibrewal@MotilalOswal.com) | Raghav Khemani (Raghav.Khemani@MotilalOswal.com)

Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com) | Pranav Nawale (Pranav.Nawale@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

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

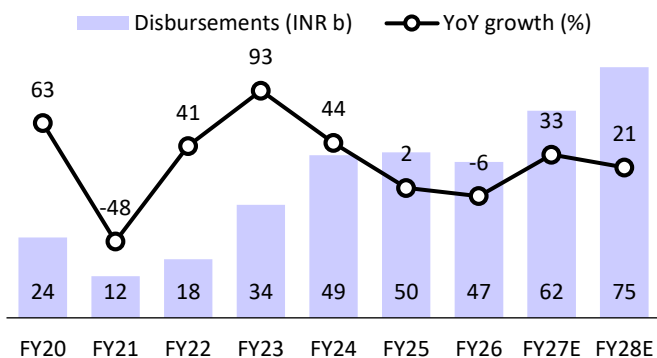


Exhibit 3: AUM CAGR of ~21% over FY26-28E

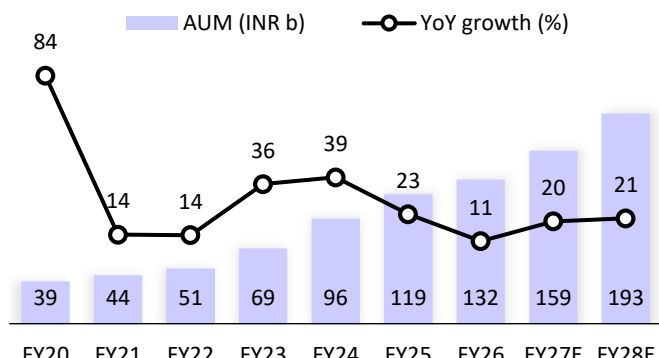


Exhibit 4: Spreads to remain broadly stable going forward

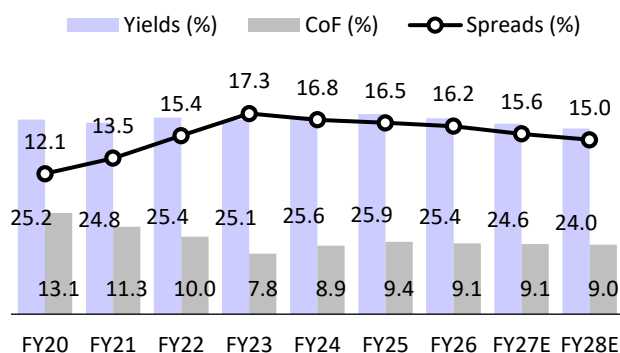


Exhibit 5: NIM to witness a gradual dip over FY27-28E

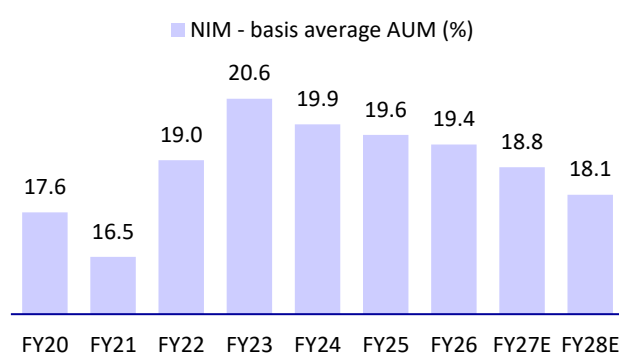


Exhibit 6: Opex-to-AUM ratio to inch up in FY27E

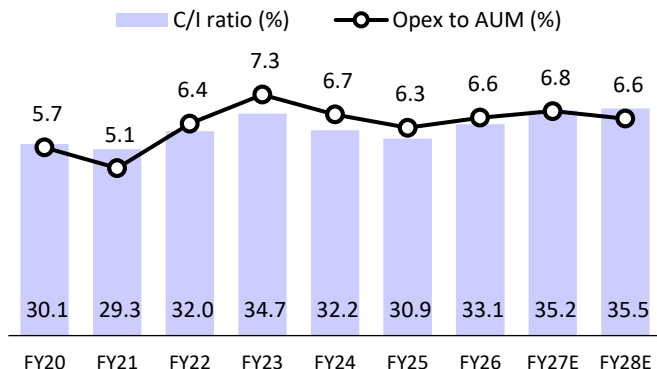


Exhibit 7: Asset quality to improve from FY27

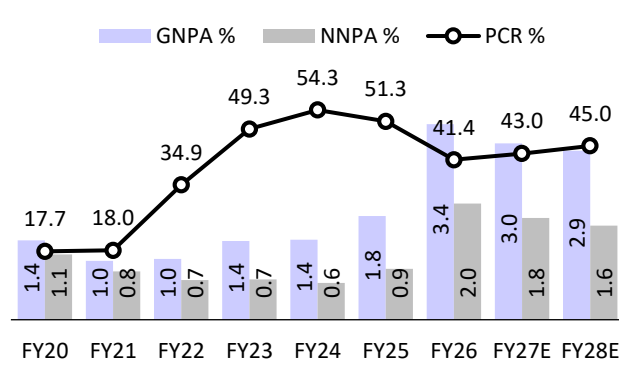


Exhibit 8: PAT CAGR of ~12% over FY26-FY28E

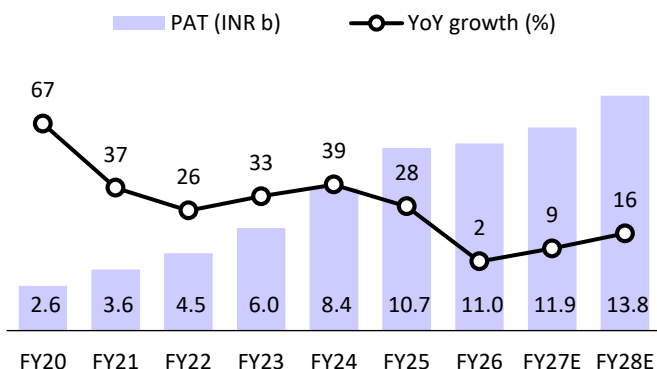
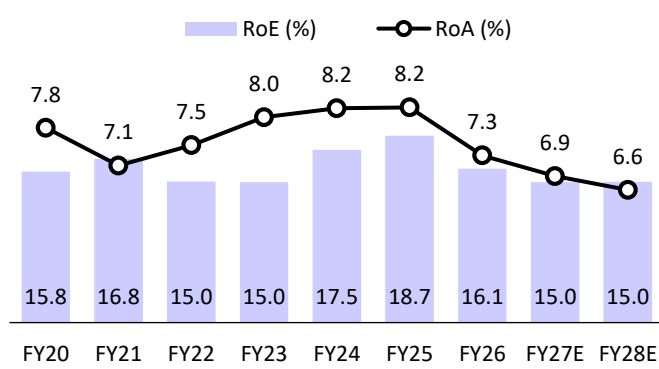


Exhibit 9: Healthy RoA/RoE of 6.6%/15% by FY28E



Source: MOFSL, Company

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

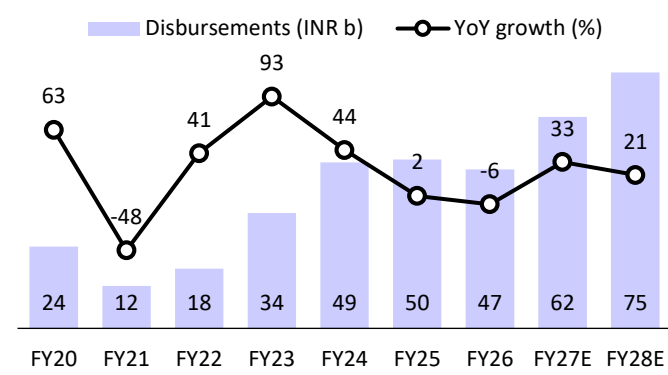


Exhibit 11: AUM CAGR of ~21% over FY26-28E

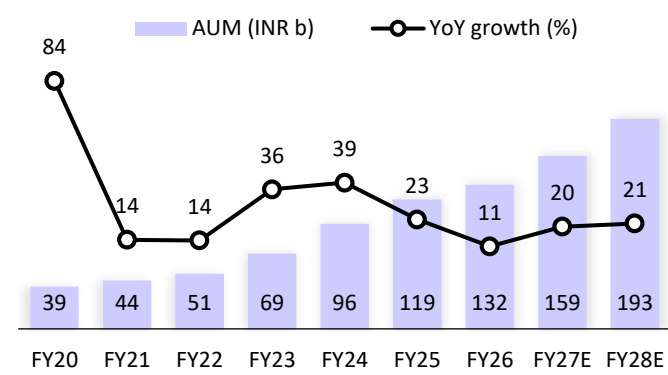
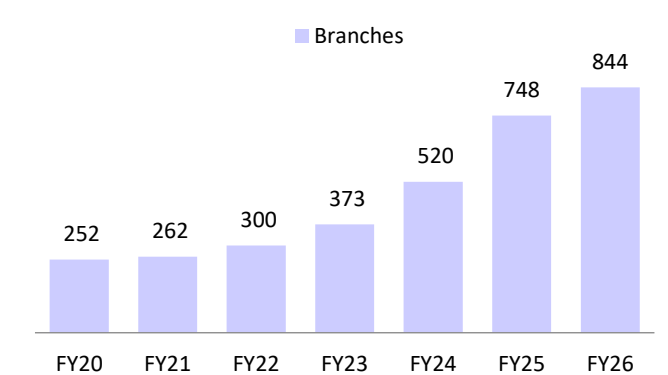
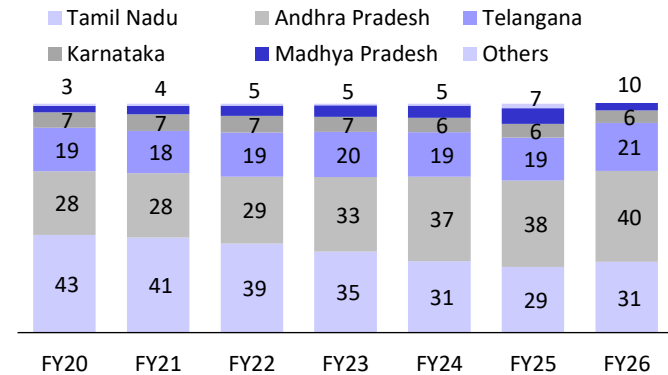


Exhibit 12: Strong branch network expansion...



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

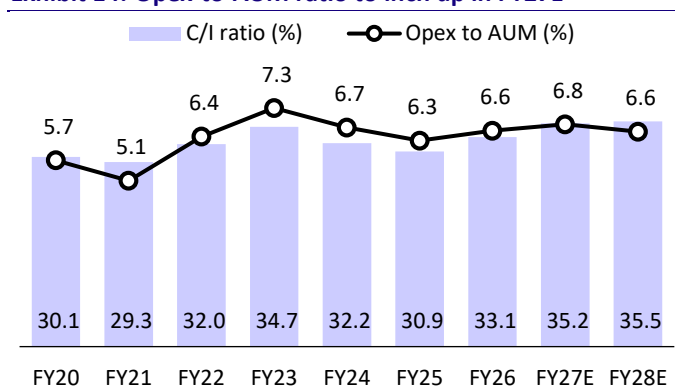
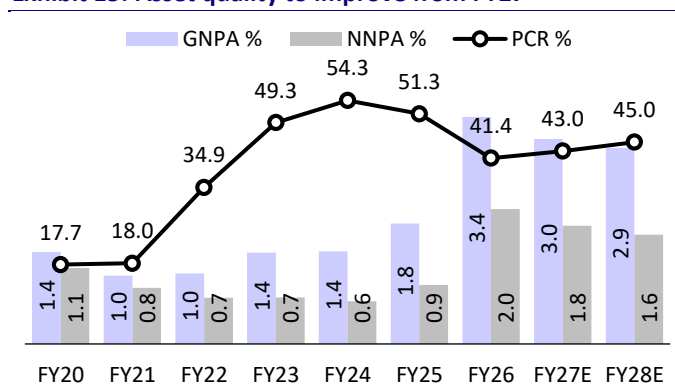


Exhibit 15: Asset quality to improve from FY27



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

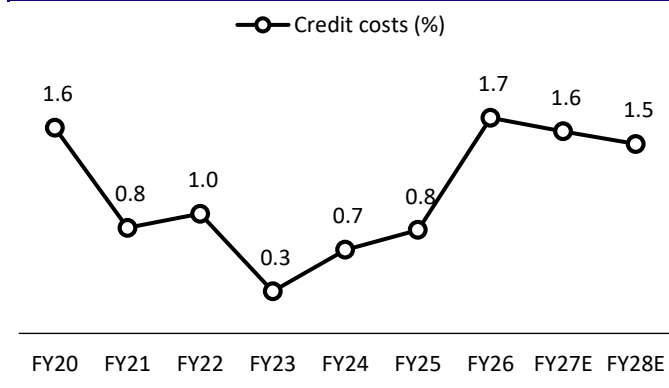
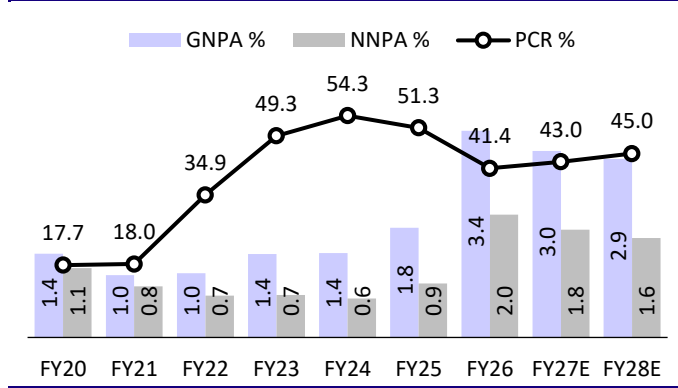


Exhibit 17: Asset quality to improve from FY27



- 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

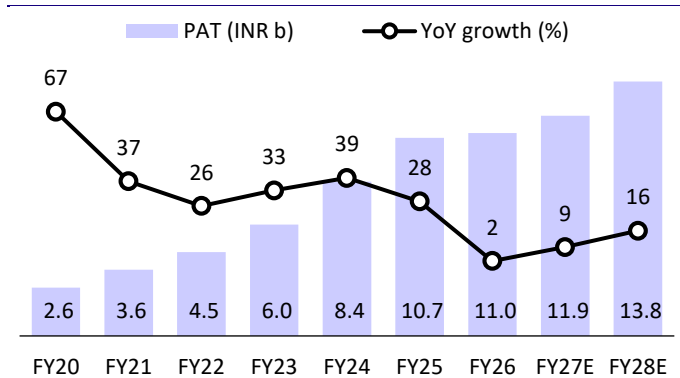
- Five-Star reiterated that the senior leadership team remains stable despite the departure of Ranga and a limited number of employees, with no disruption to the company’s broader strategic or operational execution.
- While field-level attrition remains relatively elevated at ~37-38%, it has improved 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

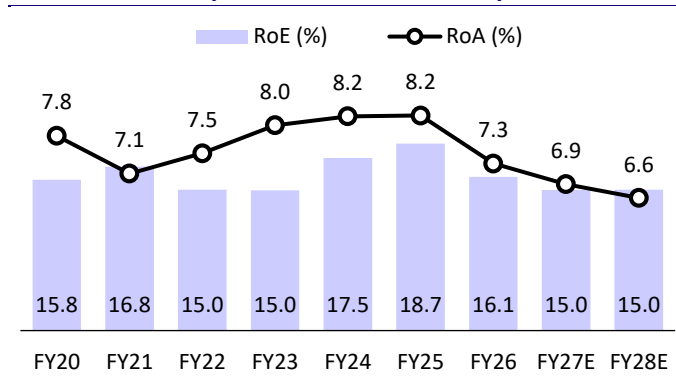
- Five-Star has navigated the current environment with deliberate caution, prioritizing stability, portfolio quality, and organizational readiness over near-term growth optics. We believe Five-Star is now moving out of a stabilization phase and re-entering a calibrated growth phase with improving confidence 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
<i>Tax Rate (%)</i>	<i>25.0</i>	<i>24.7</i>	<i>24.9</i>	<i>25.0</i>	<i>25.1</i>	<i>25.0</i>	<i>24.9</i>	<i>25.0</i>	<i>25.0</i>
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

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

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://online.reports.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

- Research Analyst and/or his/her relatives do not have a financial interest in the subject company(ies), as they do not have equity holdings in the subject company(ies). MOFSL has financial interest in the subject company(ies) at the end of the week immediately preceding the date of publication of the Research Report: Yes.
Nature of Financial interest is holding equity shares or derivatives of the subject company
- Research Analyst and/or his/her relatives do not have actual/beneficial ownership of 1% or more securities in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.
MOFSL has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No
- Research Analyst and/or his/her relatives have not received compensation/other benefits from the subject company(ies) in the past 12 months.
MOFSL may have received compensation from the subject company(ies) in the past 12 months.
- Research Analyst and/or his/her relatives do not have material conflict of interest in the subject company at the time of publication of research report.
MOFSL does not have material conflict of interest in the subject company at the time of publication of research report.
- Research Analyst has not served as an officer, director or employee of subject company(ies).
- MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months.
- MOFSL has not received compensation for investment banking /merchant banking/brokerage services from the subject company(ies) in the past 12 months.
- MOFSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months.

9. MOFSL may have received compensation or other benefits from the subject company(ies) or 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.