

# Five Star Business Finance

Estimate changes	↔
TP change	↔
Rating change	↔

Bloomberg	FIVESTAR IN
Equity Shares (m)	294
M.Cap.(INRb)/(USDb)	207.9 / 2.5
52-Week Range (INR)	944 / 595
1, 6, 12 Rel. Per (%)	-6/-8/-15
12M Avg Val (INR M)	1059

## Financials Snapshot (INR b)

Y/E March	FY25	FY26E	FY27E
NII	21.0	24.0	28.3
PPoP	15.2	16.9	19.7
PAT	10.7	11.9	13.8
EPS (INR)	36	40	47
EPS Gr. (%)	27	11	16
BV/Sh. (INR)	214	253	297

## Ratios

NIM (%)	19.6	18.3	17.1
C/I ratio (%)	30.9	32.8	33.5
Credit costs	0.8	0.8	0.8
RoAA (%)	8.2	7.4	6.9
RoAE (%)	18.7	17.3	17.1
Dividend payout	5.5	6.2	6.4

## Valuations

P/E (x)	19.4	17.5	15.1
P/BV (x)	3.3	2.8	2.4
Div. yield (%)	0.3	0.4	0.4

## Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	21.5	21.6	26.5
DII	9.1	10.1	7.0
FII	58.8	57.8	56.1
Others	10.7	10.6	10.5

FII Includes depository receipts

**CMP: INR706**

**TP: INR840 (+19%)**

**Buy**

## Disruption in Karnataka affects AUM growth and collections

### AUM growth moderated to ~23% YoY; asset quality deteriorated

- FIVESTAR's 4QFY25 PAT grew 18% YoY to INR2.8b (in line). FY25 PAT grew ~28% YoY to INR10.7b.
- 4Q NII grew ~21% YoY to INR5.6b (in line), while PPoP rose ~19% YoY to INR4b (in line). Other income grew 26% YoY to INR250m, primarily due to higher fee income. Opex grew 26% YoY to INR1.9b (in line). Credit costs stood at INR254m (~9% lower than MOFSLe). Annualized credit costs were largely stable QoQ at ~73bp (PY: ~85bp and PQ: ~71bp).
- AUM rose ~23% YoY to INR118.8b. AUM growth fell short of ~25% growth guidance primarily due to disruptions in Karnataka. Given the current uncertain situation, **it guided for AUM growth of ~25% in FY26.**
- Overall collection efficiency (CE) stood at 97.7% (PQ: 98%). Unique loan collections (due one, collect one) stood at 96.2% (PQ: 96.7%). FIVESTAR noted that from mid-Jan'25 to mid-Mar'25, collections were affected by disruptions in Karnataka; however, they rebounded from mid-Mar'25. **Management has guided for GS3 to remain below 2% and expects credit costs in the range of ~75-100bp in FY26.**
- FIVESTAR expressed confidence that the Tamil Nadu Bill would not impact (if any) collections to the extent as was seen in Karnataka. However, the company shared that it would get better clarity over the next 15-20 days, after which it will assess the situation and take appropriate actions.
- Given high stress in the <INR300K ticket size segment, the company has made a conscious decision to focus more on the INR300k-INR1.0m ticket size segment. Given that the INR500K-INR1.0m ticket-size micro-LAP faces a higher competitive intensity, there could be some pressure on incremental yields in the subsequent quarters.
- Despite a gradual deterioration in asset quality over the last one quarter, FIVESTAR is navigating the current mini credit cycle (due to unsecured retail), with a lot of resilience and (still) benign credit costs. Developments in TN will have to be closely monitored even as management shared that the general weakness (because of customer overleveraging) will take two more quarters to get normalized.
- FIVESTAR has developed strengths and capabilities in its business model that are difficult for peers to replicate. We anticipate that the company should deliver a CAGR of ~26%/~14% in AUM/PAT over FY25-27E. FIVESTAR will command premium valuations relative to its NBFC/HFC peers due to its ability to deliver strong RoA/RoE of 6.9%/17% in FY27E. **Reiterate BUY with a TP of INR840 (based on 2.8x Mar'27E BV).**

## Reported NIMs rise ~30bp QoQ; Yields decline ~30bp QoQ

- Reported yield declined ~30bp QoQ to 23.7%, while CoB was stable QoQ at 9.6%. Reported NIM expanded ~30bp QoQ to ~16.85%. Incremental CoF declined ~25bp QoQ to ~9.3%.

- FIVESTAR does not expect any further reduction in lending yields. However, if CoB declines significantly and on a sustained basis, the company may consider passing on a portion of the benefit to its customers. We model NIMs to decline to 18.3%/17.1% in FY26/FY27E (FY25E: 19.6%).

#### Asset quality deteriorates; non-cash collections continue to improve

- GS3/NS3 rose ~15bp/5bp QoQ to ~1.8%/0.9%. PCR rose ~1pp QoQ to ~51.3%.
- The current portfolio declined to 84.3% (PQ: 84.9%). Stage 2 rose ~30bp QoQ to ~7.9%. 30+ dpd rose ~50bp QoQ to 9.65% and 1+dpd increased ~65bp QoQ to 15.7%. We model credit costs (as a % of gross loans) of ~80bp/75bp in FY26/27E.
- Cash proportion in collections declined to ~20% (PQ: ~24% and PY: ~53%) due to strong efforts made by the company to reduce cash collections.

#### Disbursements up ~9% YoY; Capital adequacy strong at ~50%

- Disbursements rose ~9% YoY to ~INR14.6b; AUM grew 23% YoY/6% QoQ to ~INR119b.
- 4QFY25 RoA/RoE stood at 8%/18.4%. The board has declared a dividend of INR2 per share. Capital adequacy stood at ~50% as of Mar'25.

#### Highlights from the management commentary

- During the quarter, 2/3<sup>rd</sup> of the incremental stress originated from Karnataka, while the remaining 1/3<sup>rd</sup> was more broad-based. The challenges related to overleveraging and general financial weakness, especially among lower middle-class customers, are expected to persist over the next two quarters.
- The increase in ticket sizes during the quarter was a deliberate strategic decision by FIVESTAR. The company is de-focusing on <INR300k ticket segment and focusing more on the INR300-500k ticket segment.
- Affordable housing is seen as a complementary extension of FIVESTAR's core business. The company may look to start this segment organically by 3Q/4QFY26, leveraging its existing workforce and branch network to establish and scale operations.

#### Valuation and view

- While the earnings were in line with our estimates, FIVESTAR delivered a relatively weaker AUM growth and a slight deterioration in asset quality because of the disruptions in Karnataka. As a result, GS2 and GS3 increased QoQ, but credit costs remained broadly stable.
- The stock currently trades at 2.4x FY27E P/BV. We believe that FIVESTAR's premium valuations will remain intact, given its niche market position, superior underwriting practices, resilient asset quality, and (still) high return metrics.
- We estimate FIVESTAR to deliver a CAGR of ~26%/14% in AUM/PAT over FY25-FY27, along with RoA/RoE of 6.9%/17% in FY27E. FIVESTAR's asset quality is expected to remain relatively resilient compared to the stress that was witnessed in the unsecured segment. **We reiterate our BUY rating on the stock with a TP of INR840 (premised on 2.8x Mar'27E P/BV).**

**FIVE STAR BUSINESS: Quarterly Performance**

(InR M)

Y/E March	FY24				FY25				FY24	FY25	4Q FY25E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	4,637	5,041	5,495	5,992	6,411	6,793	7,112	7,347	21,166	27,663	7,285	1
Interest Expenses	962	1,059	1,287	1,377	1,582	1,631	1,714	1,753	4,685	6,680	1,802	-3
<b>Net Interest Income</b>	<b>3,676</b>	<b>3,982</b>	<b>4,208</b>	<b>4,615</b>	<b>4,829</b>	<b>5,161</b>	<b>5,399</b>	<b>5,594</b>	<b>16,481</b>	<b>20,983</b>	<b>5,483</b>	<b>2</b>
YoY Growth (%)	35.9	34.3	31.6	33.4	31.4	29.6	28.3	21.2	33.7	27.3	18.8	
Other Income	198	183	205	199	283	266	198	250	785	997	285	-12
<b>Total Income</b>	<b>3,874</b>	<b>4,165</b>	<b>4,413</b>	<b>4,814</b>	<b>5,112</b>	<b>5,427</b>	<b>5,597</b>	<b>5,844</b>	<b>17,266</b>	<b>21,980</b>	<b>5,769</b>	<b>1</b>
YoY Growth (%)	41.3	38.4	35.5	33.0	32.0	30.3	26.8	21.4	36.7	27.3	19.8	
Operating Expenses	1,263	1,389	1,412	1,488	1,565	1,627	1,713	1,880	5,553	6,785	1,822	3
<b>Operating Profit</b>	<b>2,611</b>	<b>2,775</b>	<b>3,001</b>	<b>3,326</b>	<b>3,547</b>	<b>3,800</b>	<b>3,884</b>	<b>3,964</b>	<b>11,713</b>	<b>15,196</b>	<b>3,947</b>	<b>0</b>
YoY Growth (%)	40.5	37.9	45.5	43.6	35.9	36.9	29.4	19.2	42.0	29.7	18.7	3
Provisions & Loan Losses	152	106	102	194	185	218	233	254	554	890	280	-9
<b>Profit before Tax</b>	<b>2,459</b>	<b>2,670</b>	<b>2,899</b>	<b>3,132</b>	<b>3,362</b>	<b>3,582</b>	<b>3,651</b>	<b>3,711</b>	<b>11,160</b>	<b>14,306</b>	<b>3,667</b>	<b>1</b>
Tax Provisions	622	676	731	771	846	903	913	919	2,800	3,581	904	2
<b>Net Profit</b>	<b>1,837</b>	<b>1,994</b>	<b>2,168</b>	<b>2,361</b>	<b>2,516</b>	<b>2,679</b>	<b>2,739</b>	<b>2,791</b>	<b>8,359</b>	<b>10,725</b>	<b>2,763</b>	<b>1</b>
YoY Growth (%)	32	38	44	40	37	34	26	18	38.5	28.3	17.0	
<b>Key Parameters (%)</b>												
Yield on loans	25.6	25.4	25.6	25.8	25.7	25.5	25.7	25.5				
Cost of funds	9.0	9.3	9.7	9.1	9.7	9.6	9.6	9.2				
Spread	16.6	16.2	15.9	16.7	16.0	16.0	16.1	16.3				
NIM	20.3	20.1	19.6	19.9	19.3	19.4	19.5	19.4				
Credit cost	0.9	0.5	0.48	0.84	0.7	0.69	0.71	0.73				
Cost to Income Ratio (%)	32.6	33.4	32.0	30.9	30.6	30.0	30.6	32.2				
Tax Rate (%)	25.3	25.3	25.2	24.6	25.2	25.2	25.0	24.8				
<b>Performance ratios (%)</b>												
AUM/Branch (INR m)	196.5	181.2	186.1	185	189.1	165.6	153.3	159				
<b>Balance Sheet Parameters</b>												
<b>AUM (INR B)</b>	<b>75.8</b>	<b>82.6</b>	<b>89.3</b>	<b>96.4</b>	<b>103.4</b>	<b>109.3</b>	<b>111.8</b>	<b>118.8</b>				
Change YoY (%)	43.2	44.2	43.1	39.4	36.4	32.2	25.2	23.2				
<b>Disbursements (INR B)</b>	<b>11.3</b>	<b>12.0</b>	<b>12.1</b>	<b>13.4</b>	<b>13.2</b>	<b>12.5</b>	<b>9.4</b>	<b>14.6</b>				
Change YoY (%)	99.1	50.0	32.8	20.4	16.5	3.9	-22.2	9.2				
<b>Borrowings (INR B)</b>	<b>43.2</b>	<b>48.2</b>	<b>57.9</b>	<b>63.2</b>	<b>67.2</b>	<b>68.8</b>	<b>73.6</b>	<b>79.2</b>				
Change YoY (%)	71.3	91.0	82.2	48.7	55.8	42.8	27.1	25.4				
Borrowings/Loans (%)	56.9	58.3	64.8	65.5	65.0	63.0	65.9	66.7				
Debt/Equity (x)	1.0	1.0	1.2	1.2	1.1	1.1	1.1	1.1				
<b>Asset Quality (%)</b>												
<b>GS 3 (INR M)</b>	<b>1,072</b>	<b>1,118</b>	<b>1,251</b>	<b>1,328</b>	<b>1,454</b>	<b>1,604</b>	<b>1,808</b>	<b>2,123</b>				
G3 %	1.4	1.4	1.4	1.38	1.4	1.5	1.6	1.79				
<b>NS 3 (INR M)</b>	<b>598</b>	<b>557</b>	<b>572</b>	<b>607</b>	<b>697</b>	<b>773</b>	<b>901</b>	<b>1,034</b>				
NS3 %	0.8	0.7	0.7	0.6	0.7	0.7	0.8	0.9				
PCR (%)	44.2	50.2	54.3	54.3	52.1	51.8	50.2	51.3				
ECL (%)	1.6	1.6	1.6	1.6	1.6	1.6	1.7	1.6				
<b>Return Ratios (%)</b>												
ROA (Rep)	8.4	8.5	8.3	8.4	8.2	8.4	8.1	8.0				
ROE (Rep)	16.6	17.1	17.7	18.65	19.0	19.0	18.5	18.36				

E: MOFSL Estimates



## Highlights from the management commentary

### Guidance

- Guided for GS3 to remain <2% and credit costs at 75-100bp.
- FY26 AUM growth of 25%, earnings growth of 12-15% and RoA will be in the range of 7.5%-8.0%
- Guided for a ~25-30bp benefit in CoB in FY26.

### AUM growth

- AUM grew 23.2% YoY to INR118.8b. If the disruption in Karnataka in Jan-Feb'25 was not there, the company would have grown 25% YoY, in line with its guidance.

### Collections

- Unique CE declined ~50bp QoQ to 96.2% (vs. 96.7% in 3Q) and CE declined ~30bp QoQ to 97.7% (vs. ~98% in 3Q). A small blip in collections because of disruption in collections in Karnataka from mid-Jan'25 to mid-Mar'25.

### Asset quality

- GS3 rose ~17bp QoQ.
- Stage 2 rose QoQ but it is carrying a healthy PCR on the overall book and on Stage 3 assets.
- Stress during the quarter was 2/3rd contributed from Karnataka and 1/3rd was in general. Overleveraging problem and general weakness particularly in the lower middle class customers will continue for the next two quarters.
- LGD is very low at ~21%. Despite that, the company has kept PCR of ~51% on Stage 3 since there is also a nudge from the regulator to keep PCR near 50%.
- ECL/EAD of 1.5-1.7% is sufficient PCR for Five Star. It will maintain PCR of ~50% on Stage 3.
- Two-year lagged GNPA (in steady state), which is high now, will remain in the range of 2.5%-2.75%.

### Liabilities

- Weighted average CoB on the book is 9.63%. Incremental CoF has dropped to 9.3% (down 25bp QoQ).
- Within its bank term loans, 50% of them are linked to MCLR and the other 50% to EBLR.
- Proportion of bank borrowings stood at 63% (PY: 80%). Bank borrowings might increase to 65-70% (from 63% now) in the context of a declining interest rate environment.

### Outlook

- Leverage has gone up among lower-middle class customers. Credit, which was flowing very freely to them, has been pulled back, particular from small-ticket unsecured lenders (Fintechs and MFIs).
- When MFIN guardrails are implemented, 1) credit demand will be high and 2) if overleveraging is contained and cashflows remain healthy in the rural market, collections for FiveStar will stabilize.

- The easing of interest rates will mean lower CoF, and tax sops will lead to more income in the hands of individuals. This will support better demand.

### **Karnataka Ordinance**

- Impact of KAR ordinance was completely unexpected. Till mid-Jan'25, things were normal in KAR. Collections were impacted from mid-Jan to mid-March, and bounced back well from mid-Mar'25.
- Overleveraged crisis is still prevailing and it has not completely normalized.
- Guardrails put in place by MFIN have been postponed and are yet to be implemented.

### **Tamil Nadu Bill**

- Banks and NBFCs are excluded from the ambit of the TN ordinance and the situation in TN is completely under control today.
- Company is confident that it can handle the situation in TN far better than KAR.
- It has not taken any decision on lowering the disbursements in TN. In another 15-20 days, it will have better visibility on any impact in TN and then take appropriate corrective actions.
- TN Ordinance got cleared yesterday. It will get to know the impact of this at the ground level. Disruption may be there in TN but it will be far less than it was in Karnataka.
- For FiveStar, TN exhibits better collections compared to all its other states. This TN bill will have a very low and short disruption.

### **Increase in ticket sizes**

- The increase in ticket sizes was a conscious strategy during the quarter. Sweet spot for Five Star is between INR500k and INR1m. On incremental disbursements, it is moving toward higher-ticket sizes. This led to the increase in the average ticket sizes.
- ATS will tend to move up toward INR450k-500k over the next few quarters.
- The profile of customers remains the same. FIVESTAR has started to pick up a better profile of customers.
- Customer base grew 4.0-4.5% QoQ and AUM grew 6% QoQ.
- Ticket Size of >INR1m constitutes ~1% of the overall AUM and this might increase to 7-8% over the next 1-2 years.
- The company is focusing less on <INR300k ticket segment and more on the INR300-500k ticket segment.
- Ticket size of <INR300k will decline to ~20-25% (from 32% now) of the loan mix.
- Yield drop of ~200bp that it took in Nov'25 will help it to get into a slightly better ticket size segment and the focus will be more on the INR300k-500k ticket size segment.
- It does not see the ticket size Mix significantly changing in the near term.

### **Pricing, yields and spreads**

- FiveSTAR does not expect any further cuts in lending yields.
- It expects the cost of bank borrowings to decline in the quarter. However, the benefit of CoB (part of it) might be passed on to customers on incremental lending.

- Yields are at a range, which is comfortable for the regulator as well. If CoF declines materially (and sustainably), resulting in improvement in spreads, then it might look to pass on some benefits to customers.
- The company believes that no cut in yields will be required for the next 3- 4 quarters.
- Yields range between 21.5% and 22.95% (blended yields of 22.25-22.5%). FiveStar is already following a risk-based pricing and it is not envisaging any further drop in yields.

### Branch Expansions

- Out of 750 branches, ~150 branches are split branches. Out of the 228 branches opened in FY25, 150 branches were split branches.
- FiveStar splits any branch that has more than 1,500 customers.
- Guided that it will open 75-100 branches (included the split branches) in FY26.
- FiveStar has entered Gujarat and opened the first branch in Ahmedabad.
- Focus will be on delivering better productivity from the branches opened in FY25.

### Affordable Housing - Likely to foray in 3Q/4Q

- Affordable housing is complementary to FiveStar's business. It might start affordable housing organically from 3Q/4QFY26 onward. It will be utilizing its existing employees and branch network for building the affordable housing business.
- Home loan customer profile will be better than micro-LAP customers. Yields will be different in housing loans. It cannot target the same set of customers for home loans as it does in LAP.

### Dividend Policy

- FiveStar will become a dividend-paying company and there will only be a gradual improvement in the dividend payout ratio, which will range around 5-8% over the next few years.

### Financial performance

- FY25 PAT stood at INR10.73b, up 28% YoY. The board recommended a dividend of INR2/share -dividend payout of 5.5% (total dividend expense of ~INR600m). This will not impact its capital adequacy and its need for growth capital in the future.
- Active loans stood at 460k, up 19% YoY.
- Added 228 branches (largely because of the split branch strategy).
- Disbursements grew 9% YoY. Disbursement momentum is back on track.
- AUM grew 23% and if not for the KAR disruption, it would have achieved its guidance.
- Portfolio yields will gradually keep coming down since it had dropped its incremental lending rate by ~200bp from Nov'24 onward.
- Lower incremental borrowings will start reflecting in the overall CoB in the coming quarters and will result in stronger spreads.
- 4Q PAT of INR2.79b grew 18% YoY. RoA/RoE of 8.04%/18.4%.

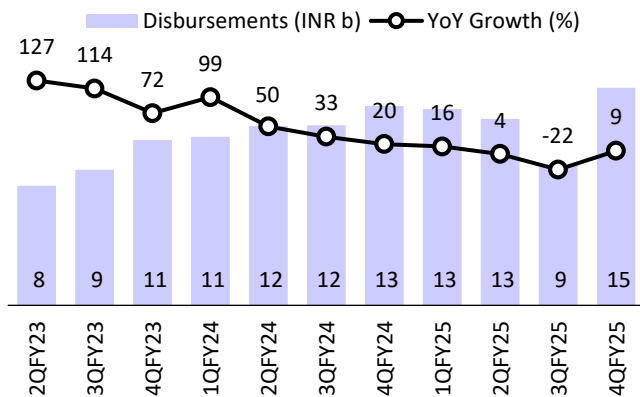
### Others

- Guided for steady state AUM per employee of INR12.5m, which is expected to start inching up within the next 12-18 months.
- The business officer count stood at 4,889 and the company disbursed 37,855 loans in 4Q. Every officer is doing ~2.6 loans per month, which will inch up to 3 loans per officer per month.
- 55-60% of FIVESTAR's borrowers are operating with credit bureau score of 450-600.
- TN and KAR will inch up their growth - TN on a quarterly basis is performing very well and it will cross 30% YoY growth.
- Faster growth in some of the inflection-point states in Central India. 8% of the portfolio is in Central India and it will inch toward 10-12% going ahead.
- Within the guided AUM growth, 5% will come from productivity increase, 5% from increase in ticket sizes and the rest from customer acquisitions in existing and newer branches.
- The sanction-to-disbursement ratio is ~95%; the login-to-sanction ratio is ~75%.
- Stress in the <INR300k segment is higher than in the INR300k-INR1m ticket size segment.

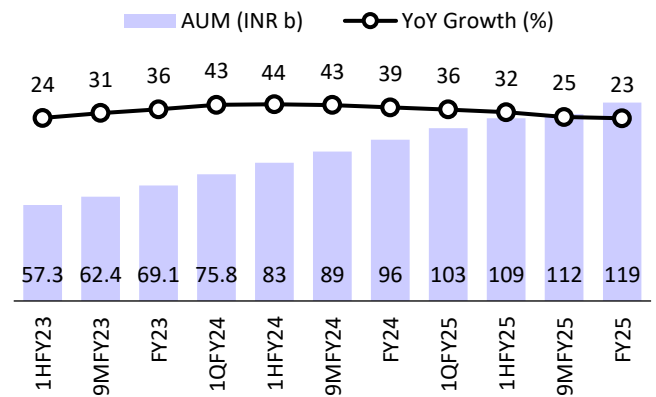


## Key Exhibits

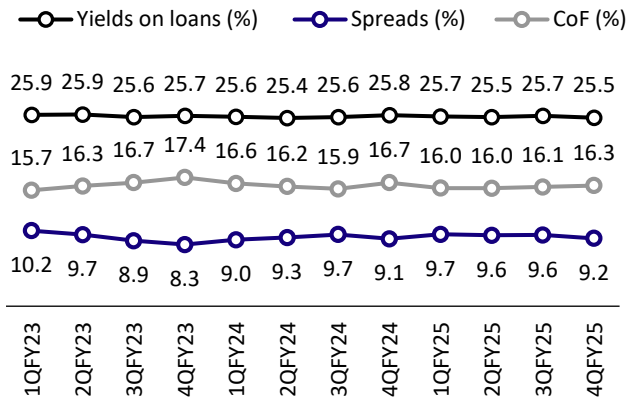
**Exhibit 1: Disbursements grew ~9% YoY**



**Exhibit 2: AUM rose ~23% YoY**

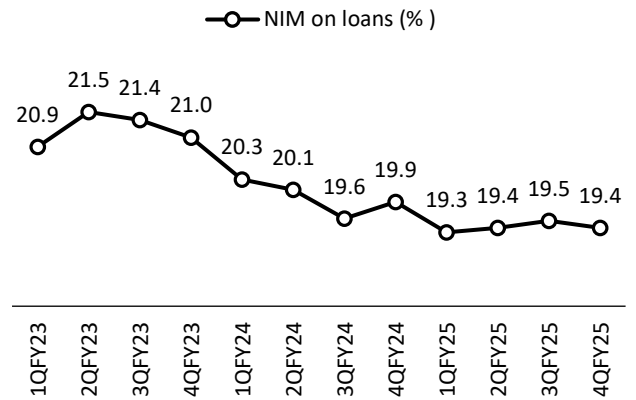


**Exhibit 3: Spreads (calc.) rose ~20bp QoQ (%)**



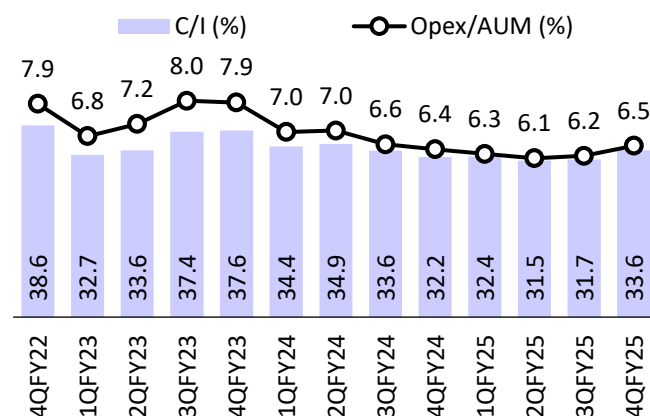
Sources: Company; MOFSL

**Exhibit 4: NIM (calc.) declined ~15bp QoQ (%)**

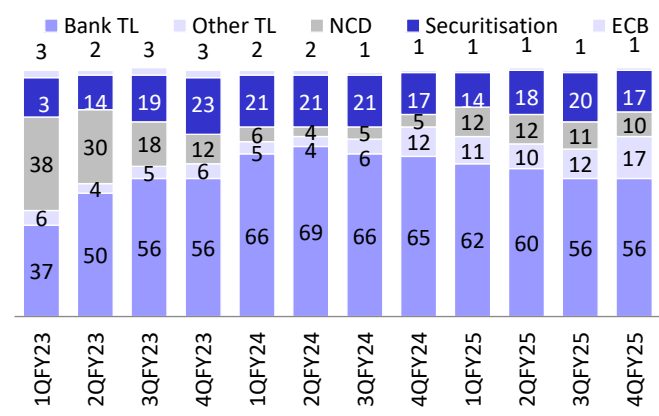


Sources: Company; MOFSL

**Exhibit 5: Opex/AUM rose ~30bp QoQ (%)**

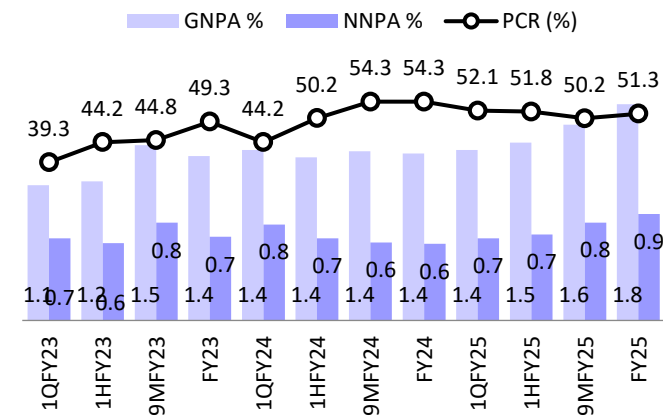


**Exhibit 6: Bank borrowings were stable QoQ**



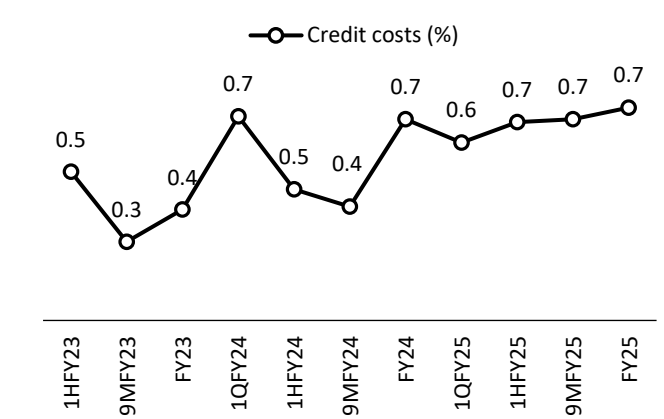


**Exhibit 7: GS3 rose ~15bp QoQ (%)**



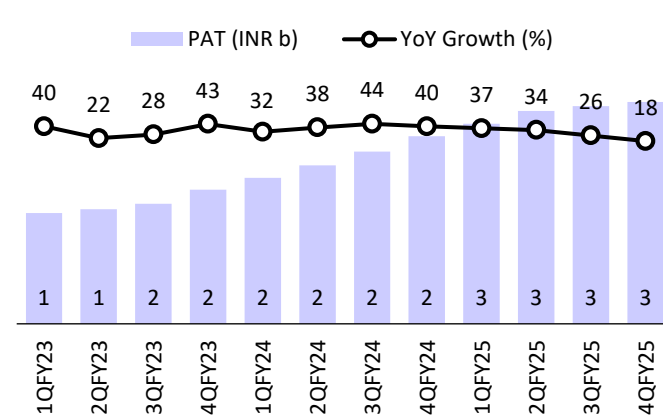
Sources: Company; MOFSL

**Exhibit 8: Credit costs were stable QoQ**



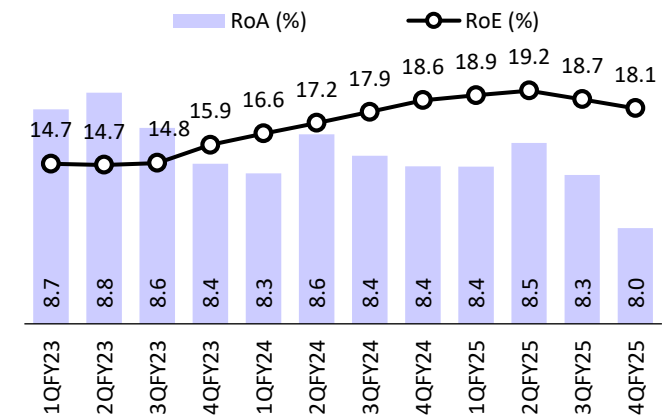
Sources: Company; MOFSL

**Exhibit 9: PAT rose ~18% YoY to INR3b**



Sources: Company; MOFSL

**Exhibit 10: RoA/RoE of 8%/18% in 4QFY25**

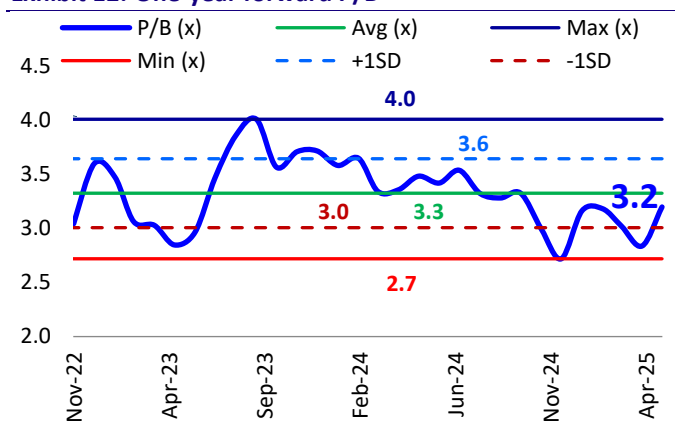


Sources: Company; MOFSL

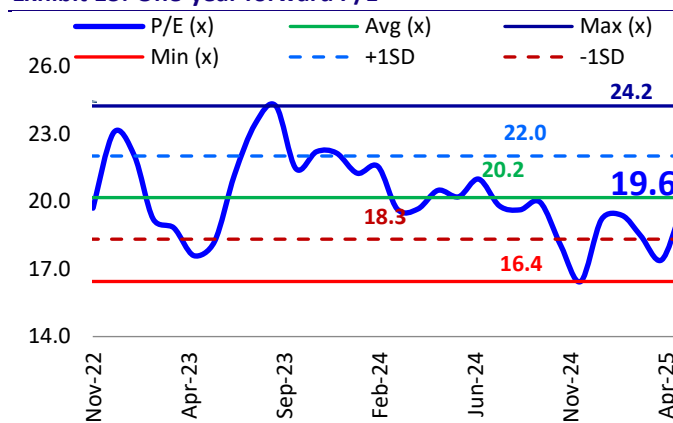
**Exhibit 11: We cut FY26/FY27 EPS estimates by ~2%/3% to factor in a minor NIM compression from higher pressure on yields**

INR B	Old Est.		New Est.		Change (%)	
	FY26	FY27	FY26	FY27	FY26	FY27
NII	24.4	28.9	24.0	28.3	-1.3	-2.0
Other Income	1.2	1.4	1.1	1.4	-4.2	-2.6
<b>Total Income</b>	<b>25.6</b>	<b>30.3</b>	<b>25.2</b>	<b>29.7</b>	<b>-1.4</b>	<b>-2.1</b>
Operating Expenses	8.2	9.9	8.2	9.9	0.1	0.0
<b>Operating Profits</b>	<b>17.3</b>	<b>20.4</b>	<b>16.9</b>	<b>19.7</b>	<b>-2.1</b>	<b>-3.1</b>
Provisions	1.1	1.4	1.0	1.3	-3.2	-8.3
<b>PBT</b>	<b>16.2</b>	<b>19.0</b>	<b>15.9</b>	<b>18.5</b>	<b>-2.1</b>	<b>-2.7</b>
Tax	4.1	4.8	4.0	4.6	-2.1	-2.7
<b>PAT</b>	<b>12.2</b>	<b>14.2</b>	<b>11.9</b>	<b>13.8</b>	<b>-2.1</b>	<b>-2.7</b>
AUM	151	192	148	189	-1.7	-1.8
Borrowings	99	130	101	132	1.4	1.2
RoA	7.6	7.1	7.4	6.9	-3.0	-2.6
RoE	17.7	17.4	17.3	17.1	-2.2	-2.0

Sources: MOFSL, Company

**Exhibit 12: One-year forward P/B**


Source: MOFSL, Company

**Exhibit 13: One-year forward P/E**


Source: MOFSL, Company

**Exhibit 14: DuPont Analysis**

%	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest Income	22.3	22.3	20.0	19.8	19.9	20.8	21.2	20.0	19.3
Interest Expended	4.4	6.5	6.5	5.0	3.5	4.6	5.1	5.1	5.2
<b>Net Interest Income</b>	<b>17.9</b>	<b>15.8</b>	<b>13.5</b>	<b>14.9</b>	<b>16.4</b>	<b>16.2</b>	<b>16.1</b>	<b>14.9</b>	<b>14.1</b>
Other Income	1.1	1.2	0.7	0.9	0.4	0.8	0.8	0.7	0.7
<b>Total Income</b>	<b>19.0</b>	<b>17.0</b>	<b>14.3</b>	<b>15.7</b>	<b>16.8</b>	<b>16.9</b>	<b>16.8</b>	<b>15.6</b>	<b>14.8</b>
Operating Expenses	6.1	5.1	4.2	5.0	5.8	5.4	5.2	5.1	5.0
<b>Operating Profit</b>	<b>12.9</b>	<b>11.9</b>	<b>10.1</b>	<b>10.7</b>	<b>11.0</b>	<b>11.5</b>	<b>11.6</b>	<b>10.5</b>	<b>9.9</b>
Provisions	0.4	1.5	0.7	0.8	0.3	0.5	0.7	0.6	0.6
<b>PBT</b>	<b>12.5</b>	<b>10.4</b>	<b>9.4</b>	<b>10.0</b>	<b>10.7</b>	<b>10.9</b>	<b>11.0</b>	<b>9.9</b>	<b>9.2</b>
Tax	3.5	2.6	2.3	2.5	2.7	2.7	2.7	2.5	2.3
<b>Tax Rate (%)</b>	<b>28.3</b>	<b>25.0</b>	<b>24.7</b>	<b>24.9</b>	<b>25.0</b>	<b>25.1</b>	<b>25.0</b>	<b>25.1</b>	<b>25.1</b>
<b>PAT</b>	<b>8.9</b>	<b>7.8</b>	<b>7.1</b>	<b>7.5</b>	<b>8.0</b>	<b>8.2</b>	<b>8.2</b>	<b>7.4</b>	<b>6.9</b>
Leverage	1.8	2.0	2.4	2.0	1.9	2.1	2.3	2.3	2.5
<b>RoE</b>	<b>16.0</b>	<b>15.8</b>	<b>16.8</b>	<b>15.0</b>	<b>15.0</b>	<b>17.5</b>	<b>18.7</b>	<b>17.3</b>	<b>17.1</b>

E: MOFSL Estimates

## Financials and Valuation

Income statement									INR m
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest Income	3,897	7,468	10,149	12,038	14,988	21,166	27,663	32,224	38,750
Interest Expended	769	2,174	3,279	3,006	2,663	4,685	6,680	8,179	10,460
<b>Net Interest Income</b>	<b>3,129</b>	<b>5,295</b>	<b>6,870</b>	<b>9,032</b>	<b>12,325</b>	<b>16,481</b>	<b>20,983</b>	<b>24,046</b>	<b>28,290</b>
Change (%)		69	30	31	36	34	27	15	18
Fees and Commissions (Legal and Technical Fees)	133	297	217	294	138	219	322	336	434
Net gain on fair value changes	59	102	132	209	83	443	494	568	653
Non-Operating Income (including recovery of bad debts)	0	6	15	21	81	123	182	236	295
Other Income	192	405	364	524	301	785	997	1,141	1,382
<b>Net Income</b>	<b>3,321</b>	<b>5,700</b>	<b>7,234</b>	<b>9,556</b>	<b>12,627</b>	<b>17,266</b>	<b>21,980</b>	<b>25,186</b>	<b>29,672</b>
Change (%)		72	27	32	32	37	27	15	18
Employees Cost	765	1,271	1,637	2,361	3,464	4,286	5,211	6,305	7,566
Depreciation	42	101	114	122	173	246	304	395	506
Others	253	342	367	575	741	1,021	1,270	1,549	1,859
Operating Expenses	1,061	1,713	2,118	3,058	4,378	5,553	6,785	8,250	9,931
<b>Operating Profit (PPoP)</b>	<b>2,260</b>	<b>3,986</b>	<b>5,116</b>	<b>6,497</b>	<b>8,249</b>	<b>11,713</b>	<b>15,196</b>	<b>16,937</b>	<b>19,741</b>
Change (%)		76	28	27	27	42	30	11	17
Provisions/write offs	76	493	352	455	201	554	890	1,045	1,281
<b>PBT</b>	<b>2,184</b>	<b>3,493</b>	<b>4,764</b>	<b>6,042</b>	<b>8,048</b>	<b>11,160</b>	<b>14,306</b>	<b>15,892</b>	<b>18,460</b>
Tax	618	874	1,174	1,507	2,012	2,800	3,581	3,989	4,633
Tax Rate (%)	28.3	25.0	24.7	24.9	25.0	25.1	25.0	25.1	25.1
<b>Reported PAT</b>	<b>1,567</b>	<b>2,620</b>	<b>3,590</b>	<b>4,535</b>	<b>6,035</b>	<b>8,359</b>	<b>10,725</b>	<b>11,903</b>	<b>13,826</b>
Change (%)		67	37	26	33	39	28	11	16
Proposed Dividend (incl. tax)	0	0	0	0	0	0	589	736	883

Balance sheet									
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Capital	239	254	255	291	291	292	294	294	294
Reserves & Surplus	13,412	19,190	22,925	36,812	43,104	51,669	62,752	74,066	87,156
<b>Net Worth</b>	<b>13,651</b>	<b>19,444</b>	<b>23,180</b>	<b>37,104</b>	<b>43,395</b>	<b>51,962</b>	<b>63,046</b>	<b>74,360</b>	<b>87,450</b>
Borrowings	9,600	23,637	34,252	25,588	42,473	63,158	79,220	1,00,726	1,31,718
Change (%)		146	45	-25	66	49	25	27	31
Other liabilities	247	451	504	739	1,160	1,768	1,940	2,715	3,802
<b>Total Liabilities</b>	<b>23,498</b>	<b>43,532</b>	<b>57,936</b>	<b>63,431</b>	<b>87,028</b>	<b>1,16,888</b>	<b>1,44,206</b>	<b>1,77,801</b>	<b>2,22,970</b>
Loans	20,959	38,308	43,587	51,024	68,222	96,851	1,16,868	1,45,980	1,85,519
Change (%)		83	14	17	34	42	21	25	27
Investments	0	0	0	2,482	1,446	1,077	2,122	2,334	2,568
Change (%)					-42	-26	97	10	10
Net Fixed Assets	95	279	249	328	449	643	936	1,170	1,463
Other assets	2,445	4,945	14,100	9,597	16,914	18,317	24,279	28,317	33,421
<b>Total Assets</b>	<b>23,498</b>	<b>43,532</b>	<b>57,936</b>	<b>63,431</b>	<b>87,030</b>	<b>1,16,888</b>	<b>1,44,206</b>	<b>1,77,801</b>	<b>2,22,970</b>

E: MOFSL Estimates

## Financials and Valuation

### AUM Mix (%)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>AUM</b>	21,128	38,922	44,454	50,671	69,148	96,406	1,18,770	1,48,423	1,88,687
YoY Growth (%)	<b>110</b>	<b>84</b>	<b>14</b>	<b>14</b>	<b>36</b>	<b>39</b>	<b>23</b>	<b>25</b>	<b>27</b>
<b>Disbursements</b>	14,822	24,087	12,451	17,562	33,915	48,814	49,697	61,127	78,854
YoY Growth (%)	<b>110</b>	<b>63</b>	<b>-48</b>	<b>41</b>	<b>93</b>	<b>44</b>	<b>2</b>	<b>23</b>	<b>29</b>

### Ratios

Growth %	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
AUM	110	84	14	14	36	39	23	25	27
Disbursements	110	63	-48	41	93	44	2	23	29
Total Assets	104	85	33	9	37	34	23	23	25
NII	140	69	30	31	36	34	27	15	18
PPOP	170	76	28	27	27	42	30	11	17
PAT	194	67	37	26	33	39	28	11	16
EPS	136	57	37	10	33	38	27	11	16

(%)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Spreads Analysis (%)</b>									
Yield on loans	25.2	25.2	24.8	25.4	25.1	25.6	25.9	24.5	23.4
Cost of funds	10.2	13.1	11.3	10.0	7.8	8.9	9.4	9.1	9.0
Spread	15.0	12.1	13.5	15.4	17.3	16.8	16.5	15.4	14.4
Net Interest Margin	20.0	17.6	16.5	19.0	20.6	19.9	19.6	18.3	17.1

### Profitability Ratios & Capital Structure (%)

Debt-Equity ratio	0.7	1.2	1.5	0.7	1.0	1.2	1.3	1.4	1.5
Capital adequacy - CRAR	64.1	52.9	58.9	75.2	67.2	50.5	50.1	39.9	36.5
Leverage	1.7	2.2	2.5	1.7	2.0	2.2	2.3	2.4	2.5
Int. Expended/Int.Earned	19.7	29.1	32.3	25.0	17.8	22.1	24.1	25.4	27.0
RoA	<b>8.9</b>	<b>7.8</b>	<b>7.1</b>	<b>7.5</b>	<b>8.0</b>	<b>8.2</b>	<b>8.2</b>	<b>7.4</b>	<b>6.9</b>
RoE	<b>16.0</b>	<b>15.8</b>	<b>16.8</b>	<b>15.0</b>	<b>15.0</b>	<b>17.5</b>	<b>18.7</b>	<b>17.3</b>	<b>17.1</b>

### Cost/Productivity Ratios (%)

Cost/Income	31.9	30.1	29.3	32.0	34.7	32.2	30.9	32.8	33.5
Op. Exps./Avg Assets	6.1	5.1	4.2	5.0	5.8	5.4	5.2	5.1	5.0
Op. Exps./Avg AUM	6.8	5.7	5.1	6.4	7.3	6.7	6.3	6.2	5.9
Other Inc./Net Income	5.8	7.1	5.0	5.5	2.4	4.5	4.5	4.5	4.7
AUM/employee (INR m)	10.7	10.4	11.3	8.9	9.4	10.3	10.0	12.0	13.9
AUM/ branch (INR m)	122.1	154.5	169.7	168.9	185.4	185.4	158.8	179.3	207.8
Empl. Cost/Op. Exps. (%)	72.2	74.2	77.3	77.2	79.1	77.2	76.8	76.4	76.2

### Asset Quality

Gross NPAs (INR m)	181	532	452	530	939	1,328	2,123	2,776	3,704
Gross NPA (%)	<b>0.9</b>	<b>1.4</b>	<b>1.0</b>	<b>1.0</b>	<b>1.4</b>	<b>1.4</b>	<b>1.8</b>	<b>1.9</b>	<b>2.0</b>
Net NPAs (INR m)	139	438	371	345	476	608	1,034	1,360	1,852
Net NPA (%)	0.7	1.1	0.8	0.7	0.7	0.6	0.9	0.9	1.0
PCR (%)	<b>22.9</b>	<b>17.7</b>	<b>18.0</b>	<b>34.9</b>	<b>49.3</b>	<b>54.3</b>	<b>51.3</b>	<b>51.0</b>	<b>50.0</b>
Credit costs (% of gross loans)	<b>0.5</b>	<b>1.6</b>	<b>0.8</b>	<b>1.0</b>	<b>0.3</b>	<b>0.67</b>	<b>0.83</b>	<b>0.78</b>	<b>0.76</b>

### VALUATION

Book Value (INR)	57	77	91	127	149	178	214	253	297
<b>Price-BV (x)</b>	<b>12.4</b>	<b>9.3</b>	<b>7.8</b>	<b>5.6</b>	<b>4.8</b>	<b>4.0</b>	<b>3.3</b>	<b>2.8</b>	<b>2.4</b>
EPS (INR)	7	10	14	16	21	29	36	40	47
EPS Growth YoY	136	57	37	10	33	38	27	11	16
<b>Price-Earnings (x)</b>	<b>108</b>	<b>69</b>	<b>50</b>	<b>45</b>	<b>34</b>	<b>25</b>	<b>19</b>	<b>18</b>	<b>15</b>
DPS (INR)	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.5	3.0
<b>Dividend yield (%)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>

E: MOFSL Estimates

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