

Five Star Business Finance

BSE SENSEX
77,289

S&P CNX
23,487



Stock Info

Bloomberg	FIVESTAR IN
Equity Shares (m)	294
M.Cap.(INRb)/(USD\$)	206.5 / 2.4
52-Week Range (INR)	944 / 626
1, 6, 12 Rel. Per (%)	-6/-2/-6
12M Avg Val (INR M)	1036
Free float (%)	78.5

Financials Snapshot (INR b)

Y/E March	FY25E	FY26E	FY27E
NII	20.9	24.4	28.9
PPoP	15.2	17.3	20.4
PAT	10.7	12.2	14.2
EPS (INR)	37	42	49
EPS Growth (%)	28	14	17
BVPS (INR)	214	255	303

Ratios (%)

NIM	19.5	18.4	17.1
C/I ratio	30.7	32.2	32.8
Credit Costs	0.9	0.8	0.8
RoAA	8.3	7.6	7.1
RoAE	18.7	17.7	17.4
Dividend Payout	2.7	2.4	3.1

Valuation

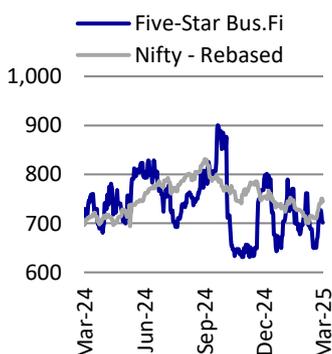
P/E (x)	19.2	16.9	14.5
P/BV (x)	3.3	2.8	2.3
Div. Yield (%)	0.1	0.1	0.2

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	21.6	21.6	26.5
DII	10.1	9.0	7.8
FII	57.8	56.7	54.3
Others	10.6	12.7	11.4

FII Includes depository receipts

Stock's performance (one-year)



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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.

CMP: INR701

TP: INR900 (+28%)

Buy

Near-term stabilization to result in healthy growth ahead

Going through the stabilization phase which could last for 1-2 quarters

- Five Star Business Finance (FIVESTAR) had calibrated its AUM growth in light of the macroeconomic environment, the overleveraging of certain customers with unsecured loans, and regulatory expectations. FIVESTAR calibrated its disbursements in 3QFY25, and its AUM growth moderated to ~25% YoY as of Dec'24. During Jan-Mar'25, lenders such as FIVESTAR also faced disruptions from the Karnataka ordinance, which may lead to slightly weaker disbursements and AUM growth. We estimate ~24% AUM growth in FY25.
- Given the broad weak macroeconomic environment and disruptions in states like Karnataka, our assessment suggests that the last three and the next three months could very likely be a period of stabilization rather than a period of asset quality improvement. The recent calibration in AUM growth and this period of stabilization in asset quality would create a foundation for stronger growth in the years to come. As conditions improve over the next few quarters, we expect the company to regain business momentum and potentially exceed its current AUM growth guidance of ~25%.
- Our discussions with lenders having a presence in secured lending in Karnataka suggest that the ordinance has had a moderate impact on collections efficiencies (CE), which declined ~3-5% as compared to other states. For FIVESTAR, the overall impact on collection efficiencies will be limited given that Karnataka accounts for only ~6% of the company's loan mix. With its disciplined risk management and diversified geographical presence, the company remains well-positioned to navigate these near-term disruptions while staying on course for sustained healthy growth.
- The company may report near-term compression in NIM following a ~200bp reduction in incremental lending yields since Nov'24. 4QFY25 will be the first quarter in which the full impact of the lower yields will be visible on NIMs. A combination of lower yields and increasing leverage on the balance sheet will lead to some NIM moderation, which could be offset slightly by a gradual dip in its cost of borrowings in a declining rate environment. We project NIMs of 18.4%/17.1% in FY26/FY27 vs. 19.5% in FY25E.
- FIVESTAR has exhibited strong risk management and stringent underwriting standards, consistently driving resilient asset quality and benign credit costs. ~95% of the company's loan book is secured by SORP, which significantly mitigates credit risk. Its proactive collection strategies have allowed it to deliver relatively superior collections even in adverse external environments since borrowers prioritize repayments of secured loans over unsecured loans.
- With a widespread branch-led distribution network and expansion in new regions, FIVESTAR is set to capture a larger share of the untapped MSME lending space while maintaining its competitive advantage in underwriting and collections. We estimate FIVESTAR to deliver ~26%/19% AUM/PAT CAGR over FY24-FY27 and RoA/RoE of 7.1%/17.4% in FY27. We reiterate our **BUY rating** on the stock with a TP of INR900 (based on 3.0x Mar'27E BVPS).

Primed for stronger AUM growth in the years ahead

- FIVESTAR does not compete with other NBFCs for market share. Instead, it focuses on customers transitioning from informal money lenders to the formal lending sector, with a major focus on shopkeepers and customers who have not yet accessed formal financing.
- The company had calibrated its AUM growth over the last six months given the macro weakness and the regulatory expectations. Having done that, it is now going through a period of stabilization and is readying itself for stronger growth in the years ahead. We estimate an AUM growth of ~24% in FY25 and an AUM CAGR of ~27% over FY25-27.

Driving growth through geographical expansion

- FIVESTAR aims to drive growth by expanding its customer base rather than relying solely on increasing ticket sizes. Although ticket sizes may rise, this increase will primarily be driven by inflationary factors.
- The company is focused on deepening its presence in southern states through branch expansion while strategically expanding into Western and Central India. FIVESTAR aims to establish a strong foothold in key markets such as MP, Rajasthan, Maharashtra, UP, and Chhattisgarh.

NIM to remain healthy despite a cut in lending yields and higher leverage

- Effective Nov'24, FIVESTAR cut its lending rates on incremental disbursements by ~200bp to 22.5%. This was done to pass on the benefits of its lower borrowing costs to the customers.
- The company's strategic focus on unbanked customers and limited competition in the INR300K-500K ticket-size segment will enable it to sustain robust yields of ~22.5%. Although it has cut yields on incremental disbursements, which will lead to a slight compression in NIM, it is still expected to remain at healthy levels. Management guided a steady-state NIM of ~14-15% and a spread of ~12%. We expect NII as a % of average assets to decline to 15.3%/14.4% in FY26/FY27 (vs. ~16.1% in FY25).

Investments in technology to improve productivity and optimize costs

- FIVESTAR has made significant investments in technology to streamline the lending process, enhance productivity, and optimize its operating cost ratios.
- The company is now leveraging LOS/LMS systems, advanced collection modules, and an efficient customer sourcing module. This transformation has led to notable improvements across loan origination, underwriting, and collections systems. It has reduced TAT to 8-9 days, while a unified platform now offers a holistic view of borrower income and collateral value. Further, income proxies enable comprehensive credit assessment, and the shift to digital collections has improved efficiency in cash handling.
- As a result, the cost-to-income ratio has improved from ~35% in FY23 to ~31% in FY25E, while Opex/Avg. AUM has declined from ~7.3% to ~6.2% over the same period. We expect a sustained improvement in the operating cost ratios with opex-to-avg. AUM declining to ~6.1%/5.8% in FY26/FY27.

Forward flows of overleveraged customers but asset quality resilient

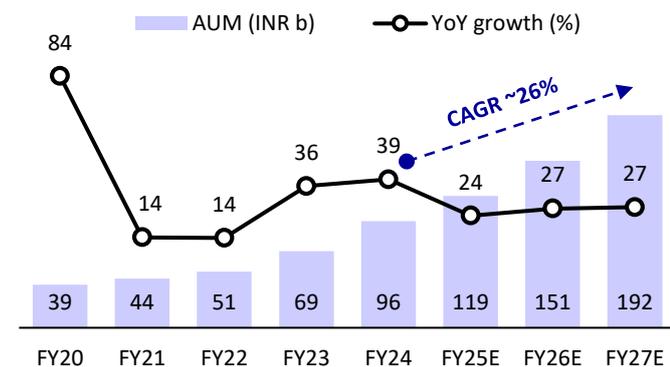
- FIVESTAR has reported a gradual deterioration in asset quality over the last three quarters, with its 30+dpd rising to ~9.2% (up ~130bp in FY25-YTD). A larger part of this deterioration is because of delinquencies from overleveraged customers, macro weakness, and relatively weaker collections in Karnataka.
- However, to its credit, the company has consistently kept GNPA well below ~2%, showcasing the resilience of its portfolio even during a tough external environment and macroeconomic weaknesses. This has also resulted in credit costs remaining benign for the company, ranging between ~50bp and 80bp.
- The company implements focused collection efforts, with loan-sourcing officers also responsible for recoveries, supported by necessary legal toolkits to uphold resilient asset quality. The company does not expect MFIN guardrails 2.0, if implemented from Apr'25, to have any significant impact on its collections.
- We expect GS3 to normalize from the current level of ~1.6% (as of Dec'24) and stabilize around ~1.8%-1.9% in FY26 and FY27. We estimate credit costs of ~0.8% over FY26/FY27.

Valuation and View

- FIVESTAR currently trades at 2.3x FY27E P/BV. The stock has undergone a decent correction following the company's downward revision in its AUM growth guidance, coupled with customer overleveraging, which raised concerns about any potential deterioration in asset quality. However, the company has consistently maintained strong asset quality even in a challenging external environment. We believe that valuations will re-rate when the company emerges out of the current macro weakness without any significant impact on its asset quality and again embarks on a stronger AUM growth trajectory.
- We believe that FIVESTAR is sweetly positioned to leverage the strong target opportunity in the small business loans (SBL with a ticket size of <INR500K) segment. The company continues to strengthen its business model through a combination of improvements in its underwriting model and investments in technology to drive operational efficiency and better productivity of its branches and employees.
- We estimate FIVESTAR to deliver a ~26%/19% AUM/PAT CAGR over FY24-FY27, along with RoA/RoE of 7.1%/17.4% in FY27E. **We reiterate our BUY rating on the stock with a TP of INR900 (premised on 3x Mar'27E BVPS).**

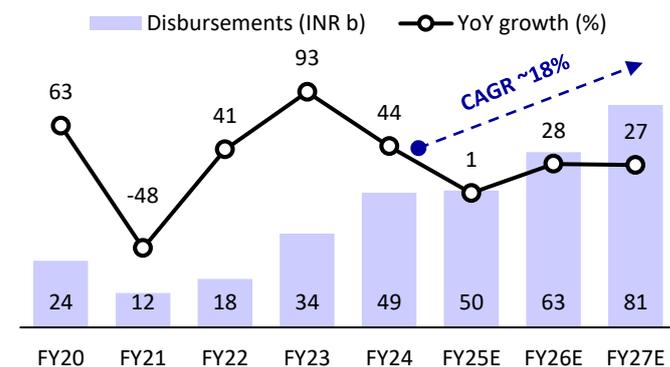
Story in charts

Exhibit 1: AUM CAGR of ~26% over FY24-FY27E



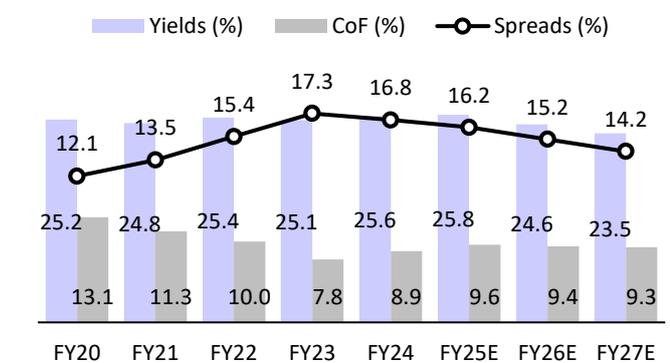
Source: MOFSL, Company

Exhibit 2: Disbursement CAGR of ~18% over FY24-FY27E



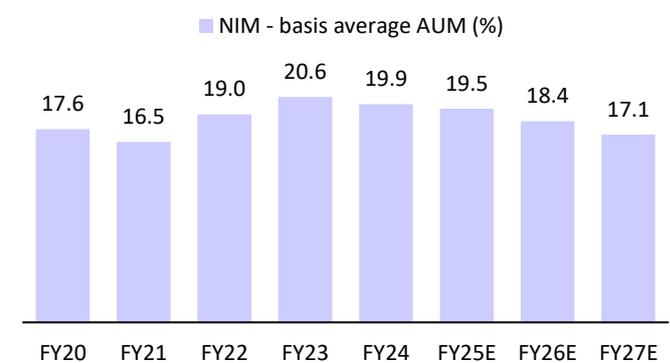
Source: MOFSL, Company

Exhibit 3: Spreads to decline 100bp in FY26E



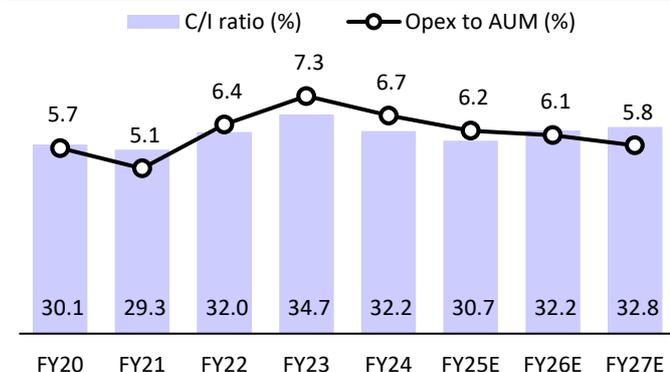
Source: MOFSL, Company

Exhibit 4: Expect NIM compression of ~110bp in FY26



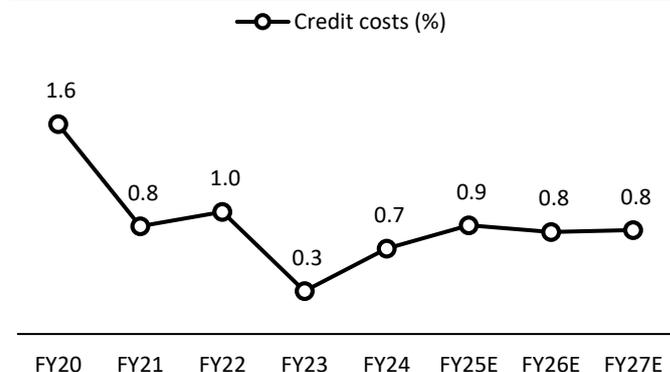
Source: MOFSL, Company

Exhibit 5: Opex-to-AUM ratio to decline in FY26/FY27E



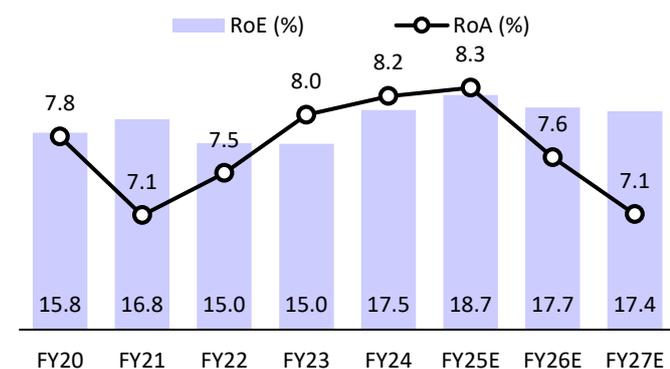
Source: MOFSL, Company

Exhibit 6: Credit costs of ~80bp each in FY26/FY27E



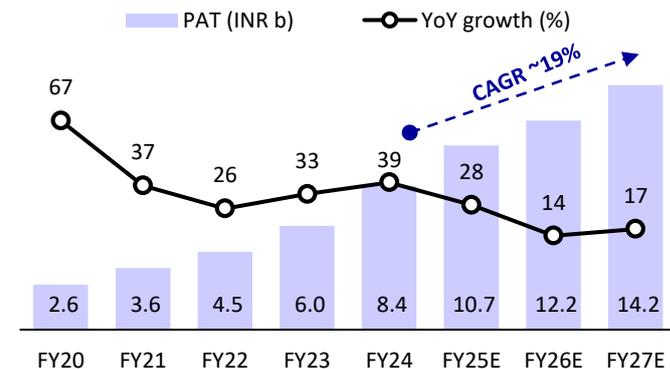
Source: MOFSL, Company

Exhibit 7: RoA/RoE of 7.1%/17% in FY27E



Source: MOFSL, Company

Exhibit 8: PAT CAGR of 19% over FY24-FY27E

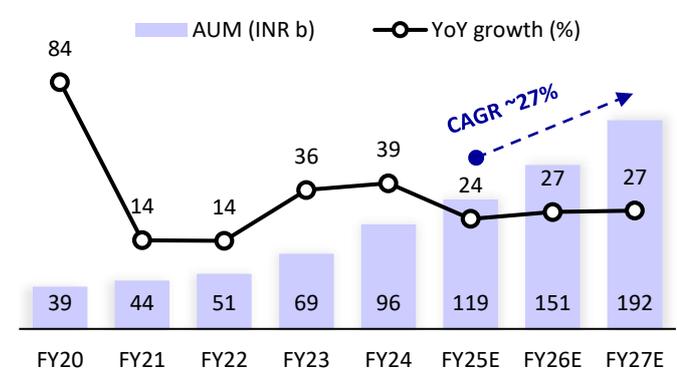


Source: MOFSL, Company

Primed for stronger AUM growth in the years ahead

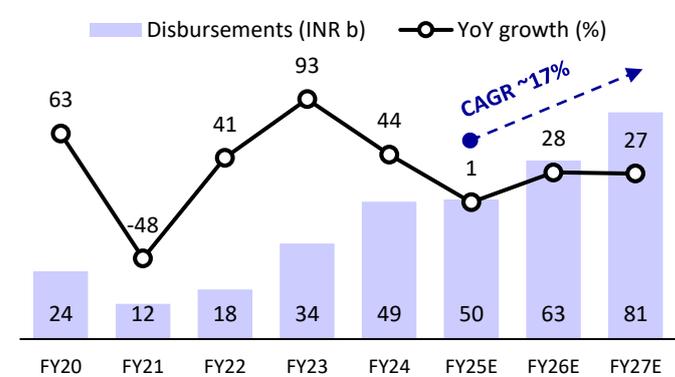
- FIVESTAR demonstrated a robust AUM CAGR of 29% over FY20-FY24, driven by an extensive distribution network, deeper penetration in core markets, and strategic expansion into new states. The company continues to broaden its geographical reach, aiming to capture a larger share of the underserved MSME lending segment while maintaining its competitive edge in underwriting and collections.
- The company had calibrated its AUM growth over the last six months given the macro weakness and the regulatory expectations. Having done that, it is now going through a period of stabilization and is readying itself for stronger growth in the years ahead. We estimate an AUM growth of ~24% in FY25 and an AUM CAGR of ~27% over FY25-27.

Exhibit 9: AUM CAGR of ~27% over FY25-FY27E...



Source: MOFSL, Company

Exhibit 10: ...supported by strong disbursement growth



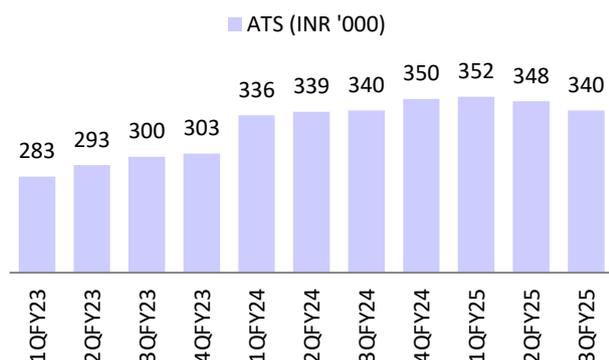
Source: MOFSL, Company

- FIVESTAR is expected to sustain healthy NIM driven by lower competitive intensity in the secured MSME segment with a ticket size of <INR500k. Additionally, the target borrower base typically transitions from informal money lenders to formal financing, making them less price-sensitive.
- The company may report near-term compression in NIM following a ~200bp reduction in incremental lending yields since Nov'24. 4QFY25 will be the first quarter in which the full impact of the lower yields will be visible on NIMs. A combination of lower yields and increasing leverage on the balance sheet will lead to some NIM moderation, which could be offset slightly by a gradual dip in its cost of borrowings in a declining rate environment. We project NIMs of 18.4%/17.1% in FY26/FY27 vs. 19.5% in FY25E.

Driving growth through geographical expansion

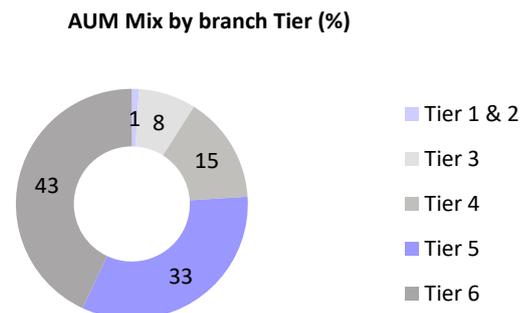
- The company is focused on deepening its presence in southern states through branch expansion while strategically expanding into Western and Central India. FIVESTAR aims to establish a strong foothold in key markets such as MP, Rajasthan, Maharashtra, UP, and Chhattisgarh.
- FIVESTAR aims to drive growth by expanding its customer base rather than relying solely on increasing ticket sizes. Although ticket sizes may rise, this increase will primarily be driven by inflationary factors.

Exhibit 11: ATS of ~340k as of Dec'24



Source: MOFSL, Company

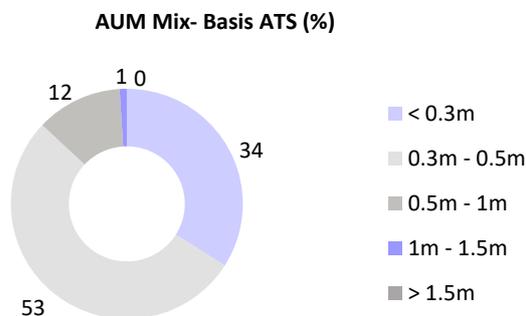
Exhibit 12: ~76% of AUM from Tier 5 & 6 cities



Note: Data as of Dec'24, Source: MOFSL, Company;

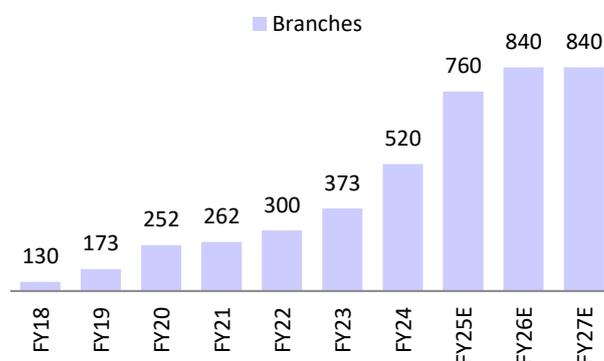
- Although southern India accounts for ~93% of FIVESTAR's total AUM, its branches in the region form around ~83% of the total branch network. As the company continues to capitalize on its niche expertise and strengthen its presence in core southern states, it plans to expand further within these markets as well as in other states. Over the next three years, we expect southern India to maintain a dominant share, contributing around 75% of the total branch network.
- To diversify its portfolio, the company plans to enter the housing finance sector upon reaching an AUM of ~INR200-250b. It aims to offer housing loans in the ~INR500K-750K range, targeting yields of ~16-18%.

Exhibit 13: ~87% of the AUM has ATS less than ~500k



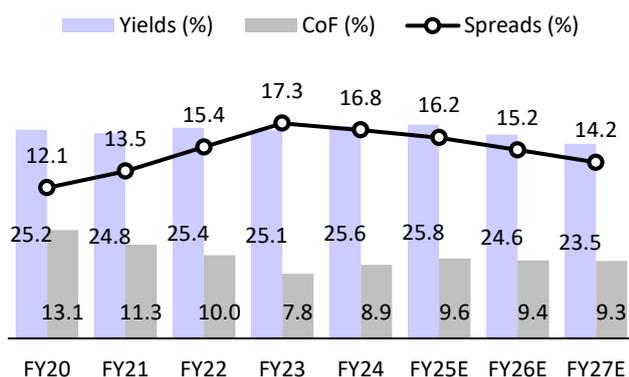
Note: Data as of Dec'24, Source: MOFSL, Company

Exhibit 14: Aims to increase branches to 840 by FY26E



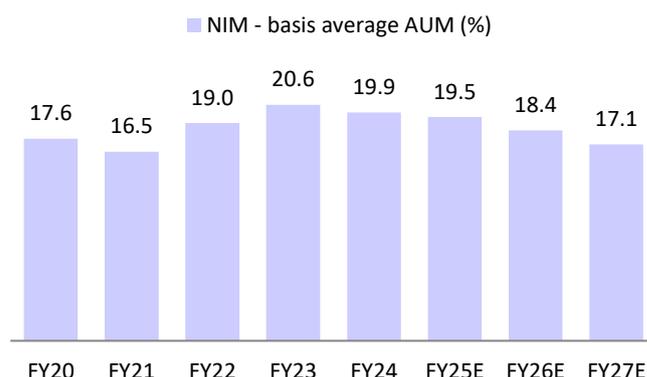
Source: MOFSL, Company

Exhibit 15: Spreads to decline 100bp in FY26E



Source: MOFSL, Company

Exhibit 16: Expect NIM compression of ~110bp in FY26

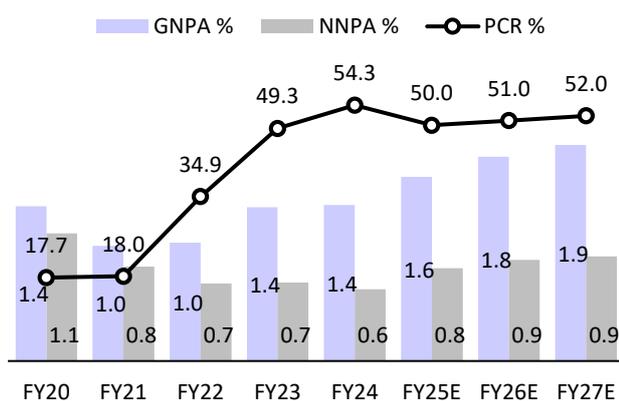


Source: MOFSL, Company

Forward flows continue but asset quality resilient

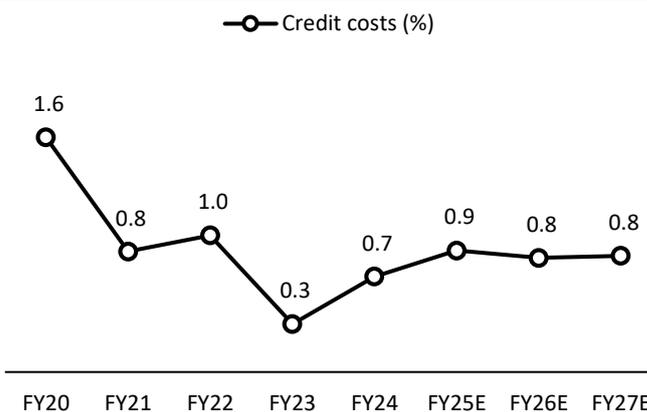
- FIVESTAR has sustained robust asset quality by deliberately avoiding larger-ticket loans and concentrating on smaller-ticket lending, ensuring greater affordability and ease of repayment for borrowers. Hence, the company has consistently kept GNPA well below ~2%, showcasing the resilience of its portfolio even during economic uncertainty and macro weaknesses. This has also resulted in low credit costs for the company, ranging between ~50-80bp.
- The company does not extend loans for new business ventures but instead focuses on established, well-managed shops, resulting in lower NPAs. In most cases, it provides financing to customers to replace high-cost loans from informal moneylenders.
- The company does not expect MFIN guardrails 2.0, if implemented from Apr'25, to have any significant impact on its collections. We expect GS3 to normalize from the current level of ~1.6% (as of Dec'24) and stabilize around 1.8-1.9% in FY26 and FY27. We estimate credit costs of ~0.8% in each of FY26 and FY27.

Exhibit 17: Expect GNPA to increase ~20bp in FY26



Source: MOFSL, Company

Exhibit 18: Expect credit costs of 80bp in FY26/FY27

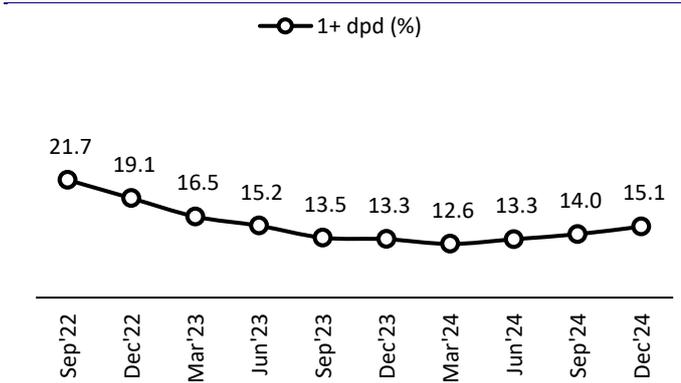


Source: MOFSL, Company

Prudent underwriting and strong collection capabilities

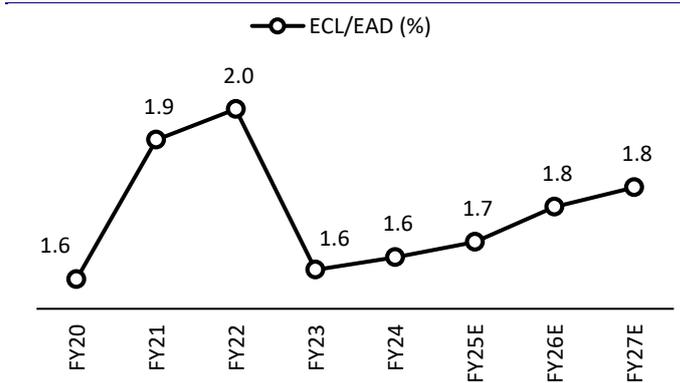
- The company involves multiple co-applicants from the applicant's family, including the spouse, ensuring that multiple income earners contribute to repaying the EMIs. Customers who defaulted on their MFI loans continued to repay their EMIs on secured loans since the ticket size, underwriting, and collateral are very different at FIVESTAR compared to MFI loans.
- While two customers having shops in the vicinity of each other and selling the same goods may have similar gross incomes, their net income can differ. To accurately assess this, FIVESTAR conducts a three-day on-ground evaluation, looking into factors such as political affiliations and spending habits, including potential expenditures on drinking or betting, which could impact their financial stability.
- FIVESTAR implements focused collection efforts, with loan-sourcing officers also responsible for recoveries, supported by necessary legal measures to uphold strong asset quality and ensure effective loan repayments.
- The officer who sources the loans is also accountable for collections. For the first 30 days, both the officer and the branch manager are responsible for collections. If the payment delay exceeds 30 days, the case is escalated to a supervisor, who oversees 4-5 branches. If the delay reaches 60dpd, reminders and notices are issued by the head office. At 90dpd, the legal team steps in and initiates arbitration notices.

Exhibit 19: 1+dpd continued to inch up from Jun'24 onwards



Source: MOFSL, Company

Exhibit 20: ECL/EAD to rise ~10bp in FY26E



Source: MOFSL, Company

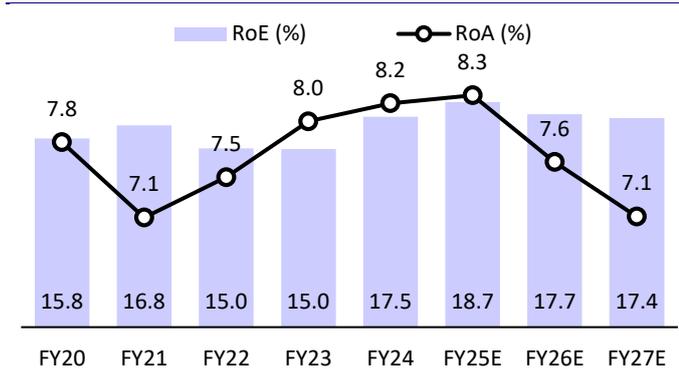
Effective collateral management leads to benign credit costs

- FIVESTAR has a two-stage credit assessment process: field credit and approval credit. The business credit team conducts customer evaluations over three days, with an additional 3-4 days required for the approval credit team to reach a sanction decision. The company has ~300 employees in the credit approval team, which is located in a centralized location.
- FIVESTAR's mortgages are equivalent to those of Housing Finance Companies (HFCs). The properties used as collateral are all technically sound and can be sold in the market during downturns. Additionally, each property taken as collateral comes with an encumbrance certificate, just like those used by any established HFC.
- FIVESTAR secures two legal opinions for every collateral: one from its internal team and another from an external legal expert. The final verification involves registering the mortgage with the government.
- In recent years, FIVESTAR has successfully resolved over 5,000 NPA accounts, achieving an average IRR of ~18%.

Valuation and View

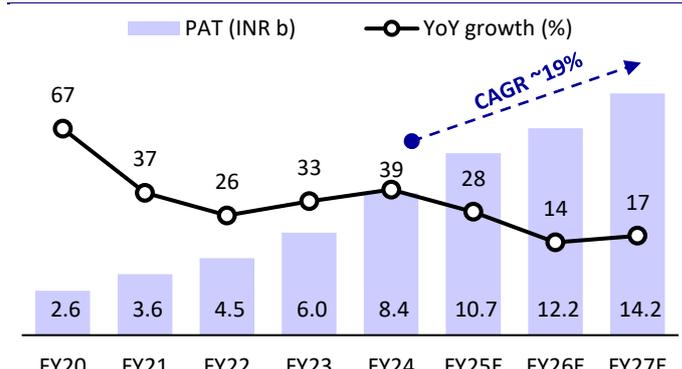
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- We believe that FIVESTAR is sweetly positioned to leverage the strong target opportunity in the small business loans (SBL with a ticket size of <INR500K) segment. The company continues to strengthen its business model through a combination of improvements in its underwriting model and investments in technology to drive operational efficiency and better productivity of its branches and employees.
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Exhibit 21: RoA/RoE of 7.1%/17.0% in FY27E

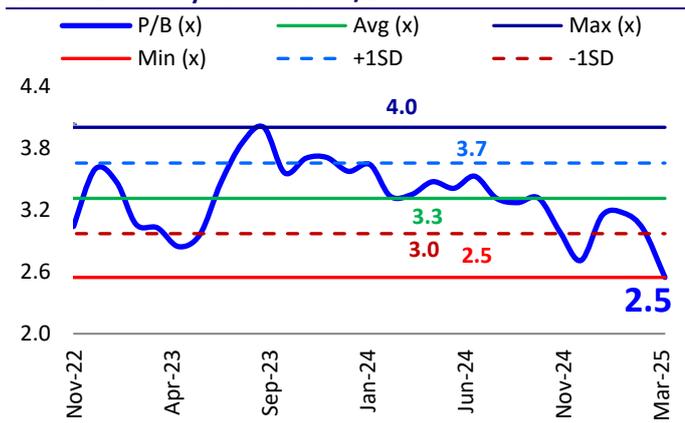


Source: MOFSL, Company

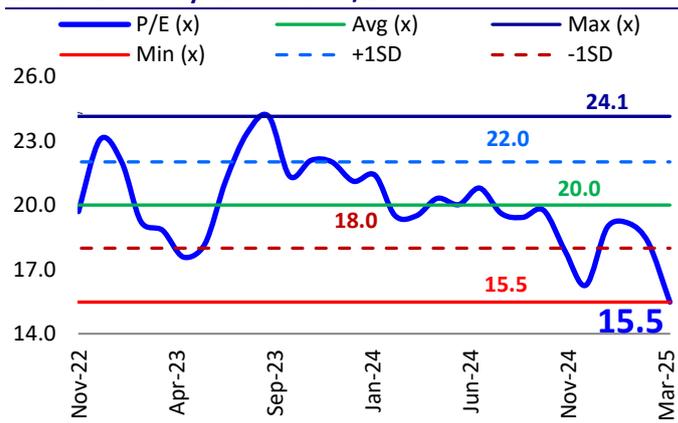
Exhibit 22: PAT CAGR of 19% over FY24-FY27E



Source: MOFSL, Company

Exhibit 23: One-year forward P/B


Source: MOFSL, Company

Exhibit 24: One-year forward P/E


Source: MOFSL, Company

Exhibit 25: We keep our FY26/FY27 EPS estimates largely unchanged

INR B	Old Est.			New Est.			Change		
	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
NII	21.0	24.5	29.0	20.9	24.4	28.9	-0.4	-0.7	-0.4
Other Income	1.0	1.2	1.4	1.0	1.2	1.4	-1.0	-1.0	-0.5
Total Income	22.0	25.8	30.4	21.9	25.6	30.3	-0.5	-0.7	-0.4
Operating Expenses	6.7	8.2	9.9	6.7	8.2	9.9	0.2	0.2	0.2
Operating Profits	15.3	17.5	20.5	15.2	17.3	20.4	-0.7	-1.1	-0.7
Provisions	0.9	1.1	1.4	0.9	1.1	1.4	-1.0	-0.8	-0.3
PBT	14.4	16.4	19.1	14.3	16.2	19.0	-0.7	-1.1	-0.8
Tax	3.6	4.1	4.8	3.6	4.1	4.8	-0.7	-1.1	-0.8
PAT	10.8	12.3	14.3	10.7	12.2	14.2	-0.7	-1.1	-0.8
AUM	120	152	193	119	151	192	-0.8	-0.8	-0.4
Borrowings	77	100	131	77	99	130	-1.1	-0.8	-0.4
RoA	8.3	7.7	7.1	8.3	7.6	7.1	-0.4	-0.5	-0.3
RoE	18.8	17.9	17.5	18.7	17.7	17.4	-0.7	-0.9	-0.4

Source: MOFSL, Company

Exhibit 26: DuPont Analysis

%	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	22.3	22.3	20.0	19.8	19.9	20.8	21.4	20.5	19.7
Interest Expended	4.4	6.5	6.5	5.0	3.5	4.6	5.2	5.2	5.3
Net Interest Income	17.9	15.8	13.5	14.9	16.4	16.2	16.1	15.3	14.4
Other Income	1.1	1.2	0.7	0.9	0.4	0.8	0.8	0.7	0.7
Total Income	19.0	17.0	14.3	15.7	16.8	16.9	16.9	16.0	15.1
Operating Expenses	6.1	5.1	4.2	5.0	5.8	5.4	5.2	5.2	5.0
Operating Profit	12.9	11.9	10.1	10.7	11.0	11.5	11.7	10.9	10.2
Provisions	0.4	1.5	0.7	0.8	0.3	0.5	0.7	0.7	0.7
PBT	12.5	10.4	9.4	10.0	10.7	10.9	11.0	10.2	9.5
Tax	3.5	2.6	2.3	2.5	2.7	2.7	2.8	2.6	2.4
<i>Tax Rate (%)</i>	<i>28.3</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>25.1</i>	<i>25.1</i>
PAT	8.9	7.8	7.1	7.5	8.0	8.2	8.3	7.6	7.1
Leverage	1.8	2.0	2.4	2.0	1.9	2.1	2.3	2.3	2.5
RoE	16.0	15.8	16.8	15.0	15.0	17.5	18.7	17.7	17.4

E: MOFSL Estimates

Financials and valuations

								INR m	
Income statement									
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	3,897	7,468	10,149	12,038	14,988	21,166	27,618	32,686	39,608
Interest Expended	769	2,174	3,279	3,006	2,663	4,685	6,733	8,304	10,714
Net Interest Income	3,129	5,295	6,870	9,032	12,325	16,481	20,885	24,382	28,893
Change (%)		69	30	31	36	34	27	17	19
Fees and Commissions (Legal and Technical Fees)	133	297	217	294	138	219	307	349	443
Net gain on fair value changes	59	102	132	209	83	443	572	658	757
Non-Operating Income (including recovery of bad debts)	0	6	15	21	81	123	153	184	221
Other Income	192	405	364	524	301	785	1,032	1,190	1,420
Net Income	3,321	5,700	7,234	9,556	12,627	17,266	21,917	25,573	30,313
Change (%)		72	27	32	32	37	27	17	19
Employees Cost	765	1,271	1,637	2,361	3,464	4,286	5,120	6,246	7,495
Depreciation	42	101	114	122	173	246	300	405	526
Others	253	342	367	575	741	1,021	1,307	1,595	1,914
Operating Expenses	1,061	1,713	2,118	3,058	4,378	5,553	6,727	8,246	9,935
Operating Profit (PPoP)	2,260	3,986	5,116	6,497	8,249	11,713	15,190	17,327	20,378
Change (%)		76	28	27	27	42	30	14	18
Provisions/write offs	76	493	352	455	201	554	917	1,080	1,397
PBT	2,184	3,493	4,764	6,042	8,048	11,160	14,273	16,247	18,981
Tax	618	874	1,174	1,507	2,012	2,800	3,568	4,078	4,764
Tax Rate (%)	28.3	25.0	24.7	24.9	25.0	25.1	25.0	25.1	25.1
Reported PAT	1,567	2,620	3,590	4,535	6,035	8,359	10,705	12,169	14,217
Change (%)		67	37	26	33	39	28	14	17
Proposed Dividend (incl. tax)	0	0	0	0	0	0	292	292	439
Balance sheet									
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Capital	239	254	255	291	291	292	292	292	292
Reserves & Surplus	13,412	19,190	22,925	36,812	43,104	51,669	62,374	74,250	88,175
Net Worth	13,651	19,444	23,180	37,104	43,395	51,962	62,666	74,543	88,467
Borrowings	9,600	23,637	34,252	25,588	42,473	63,158	76,532	99,399	1,30,272
Change (%)		146	45	-25	66	49	21	30	31
Other liabilities	247	451	504	739	1,160	1,768	2,563	3,589	5,024
Total Liabilities	23,498	43,532	57,936	63,431	87,028	1,16,888	1,41,761	1,77,530	2,23,763
Loans	20,959	38,308	43,587	51,024	68,222	96,851	1,17,200	1,48,356	1,88,800
Change (%)		83	14	17	34	42	21	27	27
Investments	0	0	0	2,482	1,446	1,077	1,131	1,244	1,368
Change (%)					-42	-26	5	10	10
Net Fixed Assets	95	279	249	328	449	643	804	1,005	1,256
Other assets	2,445	4,945	14,100	9,597	16,914	18,317	22,627	26,925	32,339
Total Assets	23,498	43,532	57,936	63,431	87,030	1,16,888	1,41,761	1,77,530	2,23,763

E: MOFSL Estimates

Financials and valuations

AUM Mix (%)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
AUM	21,128	38,922	44,454	50,671	69,148	96,406	1,19,200	1,51,031	1,92,305
YoY Growth (%)	110	84	14	14	36	39	24	27	27
Disbursements	14,822	24,087	12,451	17,562	33,915	48,814	49,546	63,419	80,542
YoY Growth (%)	110	63	-48	41	93	44	1	28	27

Ratios

Growth %	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
AUM	110	84	14	14	36	39	24	27	27
Disbursements	110	63	-48	41	93	44	1	28	27
Total Assets	104	85	33	9	37	34	21	25	26
NII	140	69	30	31	36	34	27	17	19
PPOP	170	76	28	27	27	42	30	14	18
PAT	194	67	37	26	33	39	28	14	17
EPS	136	57	37	10	33	38	28	14	17

(%)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Spreads Analysis (%)									
Yield on loans	25.2	25.2	24.8	25.4	25.1	25.6	25.8	24.6	23.5
Cost of funds	10.2	13.1	11.3	10.0	7.8	8.9	9.6	9.4	9.3
Spread	15.0	12.1	13.5	15.4	17.3	16.8	16.2	15.2	14.2
Net Interest Margin	20.0	17.6	16.5	19.0	20.6	19.9	19.5	18.4	17.1

Profitability Ratios & Capital Structure (%)

Debt-Equity ratio	0.7	1.2	1.5	0.7	1.0	1.2	1.2	1.3	1.5
Capital adequacy - CRAR	64.1	52.9	58.9	75.2	67.2	50.5	44.7	38.8	36.2
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	24.4	25.4	27.1
RoA	8.9	7.8	7.1	7.5	8.0	8.2	8.3	7.6	7.1
RoE	16.0	15.8	16.8	15.0	15.0	17.5	18.7	17.7	17.4

Cost/Productivity Ratios (%)

Cost/Income	31.9	30.1	29.3	32.0	34.7	32.2	30.7	32.2	32.8
Op. Exps./Avg Assets	6.1	5.1	4.2	5.0	5.8	5.4	5.2	5.2	5.0
Op. Exps./Avg AUM	6.8	5.7	5.1	6.4	7.3	6.7	6.2	6.1	5.8
Other Inc./Net Income	5.8	7.1	5.0	5.5	2.4	4.5	4.7	4.7	4.7
AUM/employee (INR m)	10.7	10.4	11.3	8.9	9.4	10.3	8.3	9.5	11.0
AUM/ branch (INR m)	122.1	154.5	169.7	168.9	185.4	185.4	156.8	179.8	209.0
Empl. Cost/Op. Exps. (%)	72.2	74.2	77.3	77.2	79.1	77.2	76.1	75.7	75.4

Asset Quality

Gross NPAs (INR m)	181	532	452	530	939	1,328	1,941	2,728	3,672
Gross NPA (%)	0.9	1.4	1.0	1.0	1.4	1.4	1.6	1.8	1.9
Net NPAs (INR m)	139	438	371	345	476	608	971	1,337	1,762
Net NPA (%)	0.7	1.1	0.8	0.7	0.7	0.6	0.8	0.9	0.9
PCR (%)	22.9	17.7	18.0	34.9	49.3	54.3	50.0	51.0	52.0
Credit costs (% of gross loans)	0.5	1.6	0.8	1.0	0.3	0.67	0.85	0.80	0.81

VALUATION

Book Value (INR)	57	77	91	127	149	178	214	255	303
Price-BV (x)	12.3	9.2	7.7	5.5	4.7	4.0	3.3	2.8	2.3
EPS (INR)	7	10	14	16	21	29	37	42	49
EPS Growth YoY	136	57	37	10	33	38	28	14	17
Price-Earnings (x)	107	68	50	45	34	25	19	17	14
DPS (INR)	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.5
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2

E: MOFSL Estimates

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