



## **Five Star Business Finance**

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

## Soft quarter; visibility improving on AUM growth and asset quality

#### Weak disbursements in face of calibration; asset quality deteriorates

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

# Estimate changes TP change Rating change

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

#### Financials Snapshot (INR b)

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

#### Shareholding pattern (%)

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

FII Includes depository receipts

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#### Reported spreads decline due to moderation in yields

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

#### Asset quality deteriorates but visibility of stabilization trends ahead

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

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

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

#### Highlights from the management commentary

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

#### Valuation and view

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



**FIVE STAR BUSINESS: Quarterly Performance** 

(INR M)

Interest Income 6.411 6,793 7.112 7.347 7.647 7.731 8.02 8.541 27,663 31,921 7,907 Interest Expenses 1.582 1,631 1.714 1.753 1.873 1.873 1.800 1.883 2.010 6.680 7.565 1.871 Net Interest Income 4.829 5.161 5.399 5.594 5.774 5.931 6.119 6.331 20,933 24,355 6.036 740 704 7040 1.883 2.060 1.883 2.060 1.883 2.060 1.883 2.060 1.883 2.060 1.883 2.060 1.66.9 0.000 1.66.9 0.000 1.883 2.060 1.883 2.060 1.883 2.060 1.883 2.060 1.883 2.060 1.883 2.060 1.883 2.060 1.66.9 0.000 1.66.9 0.000 1.00	Y/E March	y i cirorina.	FY	25			FY2	6E		E)/0E	EV.0.CE	205/255	(INK IVI)
Interest Expenses   1,582   1,631   1,714   1,753   1,873   1,873   1,880   1,883   2,010   6,680   7,565   1,871     Net interest Income   4,829   5,161   5,399   5,594   5,774   5,931   6,119   6,331   20,983   24,355   6,036     YOY Growth (%)   31.4   29,6   28.3   21.2   19,6   1,49   13.3   16.7   27.3     Other Income   283   266   198   250   265   334   358   381   997   1,338   289     Total Income   5,112   5,427   5,597   5,844   6,039   6,265   6,478   6,912   21,980   25,693   6,324     YOY Growth (%)   32.0   30.3   26.8   1,713   1,880   2,012   1,936   1,986   2,022   6,785   7,954   2,024     Operating Expenses   1,555   1,627   1,713   1,880   2,012   1,936   1,986   2,022   6,785   7,954   2,024     Operating Expenses   1,555   1,627   1,713   1,880   2,012   1,936   1,986   2,022   6,785   7,954   2,024     Operating Expenses   1,555   1,627   1,713   1,880   2,012   1,936   1,986   2,922   6,785   7,954   2,024     Operating Expenses   1,555   1,627   1,713   1,880   2,012   1,936   1,986   2,927   1,167   1,32     Operating Expenses   1,555   1,627   1,713   1,880   2,012   1,936   1,986   2,927   1,167   1,32     Operating Expenses   1,555   1,627   1,713   1,880   2,012   1,936   1,986   2,927   1,173   1,918     YOY Growth (%)   3,582   3,651   3,711   3,550   3,819   4,022   4,450   14,306   1,898   5,188     Profit before Tax   3,362   3,681   3,711   3,550   3,819   4,022   4,450   14,306   1,584   3,782     Tax Provisions   8,46   903   913   919   8,86   938   1,013   3,227   10,725   11,865   2,837     YoY Growth (%)   3,73   3,94   1,95   1,914   1,898   1,75   1,55   1,55   1,55     Nim   1,933   1,941   1,95   1,914   1,898   1,75   1,55   1,55   1,55     Nim   1,934   1,936   3,94   1,934   1,934   1,934   1,934   1,94   1,94   1,94   1,94     Operating Expenses   1,934   1,934   1,934   1,934   1,934   1,94		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY25	FY26E	2QFY26E	v/s Est.
Net Interest Income	Interest Income	6,411	6,793	7,112	7,347	7,647	7,731	8,002	8,541	27,663	31,921	7,907	-2
Other Income         31.4         29.6         28.3         26.1         29.9         25.9         26.5         33.4         35.8         38.1         997         1,338         28.9           Other Income         5,112         5,427         5,597         5,844         6,039         6,265         6,478         6,121         1,198         25.0         3.63         3.80         3.86         3.84         3.96         4,021         1,557         1,635         1,627         1,713         1,888         2,012         1,536         1,627         1,618         1,629 </td <td>Interest Expenses</td> <td>1,582</td> <td>1,631</td> <td>1,714</td> <td>1,753</td> <td>1,873</td> <td>1,800</td> <td>1,883</td> <td>2,010</td> <td>6,680</td> <td>7,565</td> <td>1,871</td> <td>-4</td>	Interest Expenses	1,582	1,631	1,714	1,753	1,873	1,800	1,883	2,010	6,680	7,565	1,871	-4
Other Income         283         266         198         250         265         334         358         381         997         1,338         289           Total Income         5,112         5,427         5,597         5,844         6,039         6,555         6,678         6,912         21,936         25,693         6,324           Yor Growth (%)         32.0         30.3         26.8         21.4         18.1         1.5.7         18.3         27.3         16.9         16.5           Operating Expenses         1,565         1,627         1,713         1,880         2,012         1,936         1,586         2,022         6,785         7,954         2,024           Operating Expenses         1,565         1,627         3,780         3,884         3,964         4027         4,306         15,96         7,739         4,300           Yor Growth (%)         3.5         3,98         3,924         19.2         18.5         13.0         1,102         1,203         1,588         518           Profit before Tax         2,362         3,582         3,582         3,581         2,917         2,663         2,811         3,013         3,21         1,7725         1,828	Net Interest Income	4,829	5,161	5,399	5,594	5,774	5,931	6,119	6,531	20,983	24,355	6,036	-2
Total Income	YoY Growth (%)	31.4	29.6	28.3	21.2	19.6	14.9	13.3	16.7	27.3	16.1	16.9	
YoY Growth (%)         32.0         30.3         26.8         21.4         18.1         15.4         15.7         18.3         27.3         16.9         16.5           Operating Expenses         1,565         1,627         1,713         1,880         20.12         1,986         1,986         20.22         6,785         7,954         2,024           Operating Expenses         1,565         1,567         3,804         3,844         3,964         4,027         4,300         18.8         2,18         23.3         29.7         16.7         13.2           Provisions & Loan Losses         185         218         233         254         478         510         470         440         890         1,898         518           Provisions         3,66         903         3,913         919         886         958         1,010         1,122         3,581         3,976         946           Net Profit         2,516         2,516         2,579         2,523         2,571         2,563         2,861         3,013         3,227         10,725         11,865         2,837           YOY Growth (%)         3         3         2         2.57         25.5         25.5         25.5	Other Income	283	266	198	250	265	334	358	381	997	1,338	289	16
Operating Expenses         1,565         1,627         1,713         1,880         2,012         1,936         1,986         2,022         6,785         7,954         2,024           Operating Profit         3,547         3,000         3,884         3,964         4,027         4,330         4,492         4,890         15,196         17,739         4,300           Yrov Growth (%)         35.9         36.9         29.4         19.2         13.5         13.9         18.0         29.3         15.7         23.3         2.97         16.7         13.2           Provisions & Loan Losses         185         21.8         23.8         25.61         478         510         470         440         890         1.898         518           Profit fefore Tax         3,362         3,582         3,651         3,711         3,550         2,811         3,013         3,237         10,725         14,806         3,761         3,782           Tax Provisions         486         2,679         2,739         2,791         2,663         2,861         3,013         3,327         10,725         11,865         2,837         106         19         26.2         25.2         25.7         25.5         25.5         25	Total Income	5,112	5,427	5,597	5,844	6,039	6,265	6,478	6,912	21,980	25,693	6,324	-1
Operating Profit Yov Growth (%)         3,547 (%)         3,800 (%)         3,884 (%)         3,964 (%)         4,927 (%)         4,890 (%)         15,196 (%)         17,739 (%)         4,300 (%)         135.9 (%)         4,300 (%)         4,890 (%)         15,196 (%)         17,739 (%)         4,300 (%)         18.88 (%)         13.9 (%)         15.7 (%)         23.3 (%)         1,898 (%)         13.2 (%)         13.0 (%)         4,40 (%)         89.0 (%)         1,898 (%)         18.8 (%)         18.8 (%)         1.10 (%)         40.0 (%)         40.0 (%)         4,800 (%)         1,888 (%)         18.8 (%)         1.0 (%)         1.0 (%)         1.88 (%)         1.0 (%)         1.0 (%)         1.88 (%)         1.0 (%)         1.1 (%)         1.88 (%)         1.0 (%)         1.1 (%)         1.1,865 (%)         2.881 (%)         3.0 (%)<	YoY Growth (%)	32.0	30.3	26.8	21.4	18.1	15.4	15.7	18.3	27.3	16.9	16.5	
YOY Growth (%)         35.9         36.9         29.4         19.2         13.5         13.9         15.7         23.3         29.7         16.7         13.2           Provisions & Loan Losses         185         218         233         254         478         510         470         40         4090         1,898         518           Provisions         346         903         391         919         886         958         1,010         1,122         3,581         3,976         946           Net Profit         2,516         2,679         2,739         2,791         2,663         2,861         3,013         3,327         10,725         11,865         2,837           YoY Growth (%)         37         34         26         18         6         7         10         19         28.3         10.6         5.9           Key Parameters (%)         7         25.5         25.7         25.5         25.1         25.1         24.4         24.2         24.2           Cost of funds         9.7         9.6         9.6         9.2         9.5         8.9         8.7         8.7           Spread         16.0         16.1         16.3         15.3	Operating Expenses	1,565	1,627	1,713	1,880	2,012	1,936	1,986	2,022	6,785	7,954	2,024	-4
Provisions & Loan Losses         185         218         233         254         478         510         470         440         890         1,898         518           Profit before Tax         3,362         3,582         3,651         3,711         3,550         3,819         4,022         4,450         14,306         15,841         3,782           Tax Provisions         846         903         919         886         958         3,01         1,122         3,581         3,976         946           Net Profit         2,516         2,516         2,679         2,791         2,663         2,861         3,013         3,277         10,725         1,865         2,837           YoY Growth(%)         37         34         26         791         2,663         2,861         3,013         3,277         10,725         1,865         2,837           YoY Growth(%)         37         34         26         25.7         25.5         25.7         25.5         25.1         24.4         24.2         24.2           Yold on loans         25.7         25.5         25.7         25.5         25.1         24.4         24.2         24.2           Spread         16.0 <th< td=""><td><b>Operating Profit</b></td><td>3,547</td><td>3,800</td><td>3,884</td><td>3,964</td><td>4,027</td><td>4,330</td><td>4,492</td><td>4,890</td><td>15,196</td><td>17,739</td><td>4,300</td><td>1</td></th<>	<b>Operating Profit</b>	3,547	3,800	3,884	3,964	4,027	4,330	4,492	4,890	15,196	17,739	4,300	1
Profit before Tax   3,362   3,582   3,651   3,711   3,550   3,819   4,022   4,450   14,306   15,841   3,782   1387   1387   13919   886   958   1,010   1,122   3,581   3,976   946   14,000   1,000	YoY Growth (%)	35.9	36.9	29.4	19.2	13.5	13.9	15.7	23.3	29.7	16.7	13.2	
Tax Provisions	Provisions & Loan Losses	185	218	233	254	478	510	470	440	890	1,898	518	-2
Net Profit	Profit before Tax	3,362	3,582	3,651	3,711	3,550	3,819	4,022	4,450	14,306	15,841	3,782	1
YoY Growth (%)         37         34         26         18         6         7         10         19         28.3         10.6         5.9           Key Parameters (%)         Vield on loans         25.7         25.5         25.1         24.4         24.2         24.2         24.2         24.2         24.2         24.2         24.2         24.2         24.2         25.5         25.6         25.1         25.5         25.5         15.5         15.5         15.5         15.5         15.5         18.5	Tax Provisions	846	903	913	919	886	958	1,010	1,122	3,581	3,976	946	1
Key Parameters (%)         Yield on loans         25.7         25.5         25.7         25.5         25.1         24.4         24.2         24.2           Cost of funds         9.7         9.6         9.6         9.2         9.5         8.9         8.7         8.7           Spread         16.0         16.0         16.1         16.3         15.7         15.6         15.5         15.5           NIM         19.33         19.41         19.5         19.41         18.98         18.75         18.5         18.5           Credit cost         0.74         0.69         0.71         0.73         1.31         1.35         1.18         1.04           Cost to Income Ratio (%)         30.6         30.0         30.6         32.2         33.3         30.9         30.7         29.2           Tax Rate (%)         25.2         25.2         25.0         24.8         25.0         25.1         25.1         25.2           Performance ratios (%)         36.4         32.2         25.2         25.0         24.8         25.0         25.1         25.1         25.2           Performance ratios (%)         36.4         32.2         25.2         22.2         25.1         16.1	Net Profit	2,516	2,679	2,739	2,791	2,663	2,861	3,013	3,327	10,725	11,865	2,837	1
Yield on loans         25.7         25.5         25.7         25.5         25.1         24.4         24.2         24.2           Cost of funds         9.7         9.6         9.6         9.2         9.5         8.9         8.7         8.7           Spread         16.0         16.0         16.1         16.3         15.7         15.6         15.5         15.5           NIM         19.33         19.41         19.5         19.41         18.98         18.75         18.5         18.5           Credit cost         0.74         0.69         0.71         0.73         1.31         1.35         1.18         1.04           Cost to Income Ratio (%)         30.6         30.0         30.6         32.2         33.3         30.9         30.7         29.2           Tax Rate (%)         25.2         25.2         25.0         24.8         25.0         25.1         25.1         25.2           Performance ratios (%)         3         18.9         16.6         15.3         158.8         162.4         161         16.8         16.9         18.3         14.8         16.2.4         16.1         16.1         18.3         14.8         16.9         18.2         16.1	YoY Growth (%)	37	34	26	18	6	7	10	19	28.3	10.6	5.9	
Cost of funds         9.7         9.6         9.6         9.2         9.5         8.9         8.7         8.7           Spread         16.0         16.0         16.1         16.3         15.7         15.6         15.5         15.5           NIM         19.33         19.41         19.5         19.41         18.98         18.75         18.5         18.5           Credit cost         0.74         0.69         0.71         0.73         1.31         1.35         1.18         1.04           Cost to Income Ratio (%)         30.6         30.0         30.6         32.2         33.3         30.9         30.7         29.2           Tax Rate (%)         25.2         25.2         25.2         25.0         25.1         25.1         25.2         25.2         25.2         25.0         25.1         25.1         25.2         25.2         25.0         25.1         25.1         25.2         25.2         25.0         25.1         25.1         25.2         25.2         25.0         25.1         25.2         25.2         25.0         25.1         25.2         25.2         25.0         25.1         25.0         25.2         25.2         25.0         25.2         25.2	Key Parameters (%)												
Spread         16.0         16.0         16.1         16.3         15.7         15.6         15.5         15.5           NIM         19.33         19.41         19.5         19.41         18.98         18.75         18.5         18.5           Credit cost         0.74         0.69         0.71         0.73         1.31         1.35         1.18         1.04           Cost to Income Ratio (%)         30.6         30.0         30.6         32.2         33.3         30.9         30.7         29.2           Performance ratios (%)           AUM/Branch (INR m)         189.1         166         153.3         158.8         162.4         161         165         162.4         161         165         162.4         161         165         165.8         162.4         161         165         165.8         162.4         161         165.8         162.4         161         165.8         162.4         161         165.8         162.4         161         165.8         162.4         161         165.8         162.4         161         165.8         165.9         165.9         165.9         165.9         165.9         165.9         165.9         165.9         165.9         165.9	Yield on loans	25.7	25.5	25.7	25.5	25.1	24.4	24.2	24.2				
NIM 19.33 19.41 19.5 19.41 18.98 18.75 18.5 18.5 Credit cost 0.74 0.69 0.71 0.73 1.31 1.35 1.18 1.04   Cost to Income Ratio (%) 30.6 30.0 30.6 32.2 33.3 30.9 30.7 29.2   Tax Rate (%) 25.2 25.2 25.0 24.8 25.0 25.1 25.1 25.2   Performance ratios (%)   AUM/Branch (INR m) 189.1 166 153.3 158.8 162.4 161   Balance Sheet Parameters   AUM (INR B) 103.4 109.3 111.8 118.8 124.6 128.5 136.3 145.8   Change YOY (%) 36.4 32.2 25.2 23.2 20.4 17.6 22.0 22.8   Disbursements (INR B) 13.2 12.5 9.4 14.6 12.9 12.0 16.0 18.3   Change YoY (%) 16.5 3.9 -22.2 9.2 -2.1 -4.4 70.0 25.2   Borrowings (INR B) 67.2 68.8 73.6 79.2 78.7 83.8 89.0 95.5   Change YOY (%) 55.8 42.8 27.1 25.4 17.1 21.8 20.9 20.5   Borrowings/Loans (%) 65.0 63.0 65.9 66.7 63.2 65.2 65.3 65.5   Debt/Equity (x) 1.1 1.1 1.1 1.1 1.1 1.1 1.1 1.1 1.1 1.	Cost of funds	9.7	9.6	9.6	9.2	9.5	8.9	8.7	8.7				
Credit cost         0.74         0.69         0.71         0.73         1.31         1.35         1.18         1.04           Cost to Income Ratio (%)         30.6         30.0         30.6         32.2         33.3         30.9         30.7         29.2           Tax Rate (%)         25.2         25.2         25.0         24.8         25.0         25.1         25.2           Performance ratios (%)           AUM/Branch (INR m)         189.1         166         153.3         158.8         162.4         161           Balance Sheet Parameters           AUM (INR B)         103.4         109.3         111.8         118.8         124.6         128.5         136.3         145.8           Change YOY (%)         36.4         32.2         25.2         23.2         20.4         17.6         22.0         22.8           Disbursements (INR B)         13.2         12.5         9.4         14.6         12.9         12.0         16.0         18.3           Change YOY (%)         16.5         3.9         -22.2         9.2         -2.1         -4.4         70.0         25.2           Borrowings (INR B)         67.2         68.8         73.6         79.2 </td <td>Spread</td> <td>16.0</td> <td>16.0</td> <td>16.1</td> <td>16.3</td> <td>15.7</td> <td>15.6</td> <td>15.5</td> <td>15.5</td> <td></td> <td></td> <td></td> <td></td>	Spread	16.0	16.0	16.1	16.3	15.7	15.6	15.5	15.5				
Cost to Income Ratio (%)         30.6         30.0         30.6         32.2         33.3         30.9         30.7         29.2           Tax Rate (%)         25.2         25.2         25.0         24.8         25.0         25.1         25.1         25.2           Performance ratios (%)           AUM/Branch (INR m)         189.1         166         153.3         158.8         162.4         161           Balance Sheet Parameters           AUM (INR B)         103.4         109.3         111.8         118.8         124.6         128.5         136.3         145.8           Change YoY (%)         36.4         32.2         25.2         23.2         20.4         17.6         22.0         22.8           Disbursements (INR B)         13.2         12.5         9.4         14.6         12.9         12.0         16.0         18.3           Change YoY (%)         16.5         3.9         -22.2         9.2         -2.1         -4.4         70.0         25.2           Borrowings (INR B)         67.2         68.8         73.6         79.2         78.7         83.8         89.0         95.5           Borrowings/Loans (%)         65.0         63.0         <	NIM	19.33	19.41	19.5	19.41	18.98	18.75	18.5	18.5				
Tax Rate (%)   25.2   25.2   25.0   24.8   25.0   25.1   25.1   25.2	Credit cost	0.74	0.69	0.71	0.73	1.31	1.35	1.18	1.04				
Performance ratios (%)         AUM/Branch (INR m)       189.1       166       153.3       158.8       162.4       161         Balance Sheet Parameters       103.4       109.3       111.8       118.8       124.6       128.5       136.3       145.8         Change YoY (%)       36.4       32.2       25.2       23.2       20.4       17.6       22.0       22.8         Disbursements (INR B)       13.2       12.5       9.4       14.6       12.9       12.0       16.0       18.3         Change YoY (%)       16.5       3.9       -22.2       9.2       -2.1       -4.4       70.0       25.2         Borrowings (INR B)       67.2       68.8       73.6       79.2       78.7       83.8       89.0       95.5         Change YoY (%)       55.8       42.8       27.1       25.4       17.1       21.8       20.9       20.5         Borrowings/Loans (%)       65.0       63.0       65.9       66.7       63.2       65.2       65.3       65.5         Debt/Equity (x)       1.1       1.1       1.1       1.1       1.1       1.1       1.1       1.2       1.3         GS 3 (INR M)       1,454       1,604	Cost to Income Ratio (%)	30.6	30.0	30.6	32.2	33.3	30.9	30.7	29.2				
AUM/Branch (INR m) 189.1 166 153.3 158.8 162.4 161  Balance Sheet Parameters  AUM (INR B) 103.4 109.3 111.8 118.8 124.6 128.5 136.3 145.8  Change YoY (%) 36.4 32.2 25.2 23.2 20.4 17.6 22.0 22.8  Disbursements (INR B) 13.2 12.5 9.4 14.6 12.9 12.0 16.0 18.3  Change YoY (%) 16.5 3.9 -22.2 9.2 -2.1 -4.4 70.0 25.2  Borrowings (INR B) 67.2 68.8 73.6 79.2 78.7 83.8 89.0 95.5  Change YoY (%) 55.8 42.8 27.1 25.4 17.1 21.8 20.9 20.5  Borrowings/Loans (%) 65.0 63.0 65.9 66.7 63.2 65.2 65.3 65.5  Debt/Equity (x) 1.1 1.1 1.1 1.1 1.1 1.1 1.1 1.2 1.3  Asset Quality (%)  GS 3 (INR M) 1,454 1,604 1,808 2,123 3,070 3,388 63 % 1.4 1.47 1.6 1.8 2.5 2.64  NS 3 (INR M) 697 773 901 1,034 1,534 1,857  NS3 % 0.7 0.7 0.8 0.9 1.3 1.5  PCR (%) 52.1 51.8 50.2 51.3 50.0 45.2	Tax Rate (%)	25.2	25.2	25.0	24.8	25.0	25.1	25.1	25.2				
Balance Sheet Parameters         AUM (INR B)       103.4       109.3       111.8       118.8       124.6       128.5       136.3       145.8         Change YoY (%)       36.4       32.2       25.2       23.2       20.4       17.6       22.0       22.8         Disbursements (INR B)       13.2       12.5       9.4       14.6       12.9       12.0       16.0       18.3         Change YoY (%)       16.5       3.9       -22.2       9.2       -2.1       -4.4       70.0       25.2         Borrowings (INR B)       67.2       68.8       73.6       79.2       78.7       83.8       89.0       95.5         Change YoY (%)       55.8       42.8       27.1       25.4       17.1       21.8       20.9       20.5         Borrowings/Loans (%)       65.0       63.0       65.9       66.7       63.2       65.2       65.3       65.5         Debt/Equity (x)       1.1       1.1       1.1       1.1       1.1       1.1       1.1       1.2       1.3         Asset Quality (%)       697       773       901       1,034       1,534       1,857         NS3 %       0.7       0.7       <	Performance ratios (%)												
AUM (INR B)       103.4       109.3       111.8       118.8       124.6       128.5       136.3       145.8         Change YoY (%)       36.4       32.2       25.2       23.2       20.4       17.6       22.0       22.8         Disbursements (INR B)       13.2       12.5       9.4       14.6       12.9       12.0       16.0       18.3         Change YoY (%)       16.5       3.9       -22.2       9.2       -2.1       -4.4       70.0       25.2         Borrowings (INR B)       67.2       68.8       73.6       79.2       78.7       83.8       89.0       95.5         Change YoY (%)       55.8       42.8       27.1       25.4       17.1       21.8       20.9       20.5         Borrowings/Loans (%)       65.0       63.0       65.9       66.7       63.2       65.2       65.3       65.5         Debt/Equity (x)       1.1 <td>AUM/Branch (INR m)</td> <td>189.1</td> <td>166</td> <td>153.3</td> <td>158.8</td> <td>162.4</td> <td>161</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	AUM/Branch (INR m)	189.1	166	153.3	158.8	162.4	161						
Change YoY (%)       36.4       32.2       25.2       23.2       20.4       17.6       22.0       22.8         Disbursements (INR B)       13.2       12.5       9.4       14.6       12.9       12.0       16.0       18.3         Change YoY (%)       16.5       3.9       -22.2       9.2       -2.1       -4.4       70.0       25.2         Borrowings (INR B)       67.2       68.8       73.6       79.2       78.7       83.8       89.0       95.5         Change YoY (%)       55.8       42.8       27.1       25.4       17.1       21.8       20.9       20.5         Borrowings/Loans (%)       65.0       63.0       65.9       66.7       63.2       65.2       65.3       65.5         Debt/Equity (x)       1.1       1.1       1.1       1.1       1.1       1.1       1.2       1.3         Asset Quality (%)       CS 3 (INR M)       1,454       1,604       1,808       2,123       3,070       3,388       63.8       63.2       64.4       1,807       1,808       2,123       3,070       3,388       63.2       64.4       1,808       1,534       1,857       1,534       1,534       1,857       1,534	<b>Balance Sheet Parameters</b>												
Disbursements (INR B)       13.2       12.5       9.4       14.6       12.9       12.0       16.0       18.3         Change YoY (%)       16.5       3.9       -22.2       9.2       -2.1       -4.4       70.0       25.2         Borrowings (INR B)       67.2       68.8       73.6       79.2       78.7       83.8       89.0       95.5         Change YoY (%)       55.8       42.8       27.1       25.4       17.1       21.8       20.9       20.5         Borrowings/Loans (%)       65.0       63.0       65.9       66.7       63.2       65.2       65.3       65.5         Debt/Equity (x)       1.1       1.1       1.1       1.1       1.1       1.2       1.3         Asset Quality (%)         GS 3 (INR M)       1,454       1,604       1,808       2,123       3,070       3,388         G3 %       1.4       1.47       1.6       1.8       2.5       2.64         NS 3 (INR M)       697       773       901       1,034       1,534       1,857         NS3 %       0.7       0.7       0.8       0.9       1.3       1.5         PCR (%)       52.1       51.8	AUM (INR B)	103.4	109.3	111.8	118.8	124.6	128.5	136.3	145.8				
Change YoY (%)       16.5       3.9       -22.2       9.2       -2.1       -4.4       70.0       25.2         Borrowings (INR B)       67.2       68.8       73.6       79.2       78.7       83.8       89.0       95.5         Change YoY (%)       55.8       42.8       27.1       25.4       17.1       21.8       20.9       20.5         Borrowings/Loans (%)       65.0       63.0       65.9       66.7       63.2       65.2       65.3       65.5         Debt/Equity (x)       1.1       1.1       1.1       1.1       1.1       1.1       1.1       1.2       1.3         Asset Quality (%)       GS 3 (INR M)       1,454       1,604       1,808       2,123       3,070       3,388         G3 %       1.4       1.47       1.6       1.8       2.5       2.64         NS 3 (INR M)       697       773       901       1,034       1,534       1,857         NS3 %       0.7       0.7       0.8       0.9       1.3       1.5         PCR (%)       52.1       51.8       50.2       51.3       50.0       45.2	Change YoY (%)	36.4	32.2	25.2	23.2	20.4	17.6	22.0	22.8				
Borrowings (INR B)       67.2       68.8       73.6       79.2       78.7       83.8       89.0       95.5         Change YoY (%)       55.8       42.8       27.1       25.4       17.1       21.8       20.9       20.5         Borrowings/Loans (%)       65.0       63.0       65.9       66.7       63.2       65.2       65.3       65.5         Debt/Equity (x)       1.1       1.1       1.1       1.1       1.1       1.2       1.3         Asset Quality (%)	Disbursements (INR B)	13.2	12.5	9.4	14.6	12.9	12.0	16.0	18.3				
Change YoY (%) 55.8 42.8 27.1 25.4 17.1 21.8 20.9 20.5 Borrowings/Loans (%) 65.0 63.0 65.9 66.7 63.2 65.2 65.3 65.5  Debt/Equity (x) 1.1 1.1 1.1 1.1 1.1 1.1 1.1 1.2 1.3  Asset Quality (%)  GS 3 (INR M) 1,454 1,604 1,808 2,123 3,070 3,388  G3 % 1.4 1.47 1.6 1.8 2.5 2.64  NS 3 (INR M) 697 773 901 1,034 1,534 1,857  NS3 % 0.7 0.7 0.8 0.9 1.3 1.5  PCR (%) 52.1 51.8 50.2 51.3 50.0 45.2	Change YoY (%)	16.5	3.9	-22.2	9.2	-2.1	-4.4	70.0	25.2				
Borrowings/Loans (%) 65.0 63.0 65.9 66.7 63.2 65.2 65.3 65.5  Debt/Equity (x) 1.1 1.1 1.1 1.1 1.1 1.1 1.1 1.2 1.3  Asset Quality (%)  GS 3 (INR M) 1,454 1,604 1,808 2,123 3,070 3,388 (G3 % 1.4 1.47 1.6 1.8 2.5 2.64 (NS 3 (INR M)) 697 773 901 1,034 1,534 1,857 (NS3 % 0.7 0.7 0.8 0.9 1.3 1.5 (PCR (%)) 52.1 51.8 50.2 51.3 50.0 45.2	Borrowings (INR B)	67.2	68.8	73.6	79.2	78.7	83.8	89.0	95.5				
Debt/Equity (x)       1.1       1.1       1.1       1.1       1.1       1.1       1.1       1.2       1.3         Asset Quality (%)       GS 3 (INR M)       1,454       1,604       1,808       2,123       3,070       3,388         G3 %       1.4       1.47       1.6       1.8       2.5       2.64         NS 3 (INR M)       697       773       901       1,034       1,534       1,857         NS3 %       0.7       0.7       0.8       0.9       1.3       1.5         PCR (%)       52.1       51.8       50.2       51.3       50.0       45.2	Change YoY (%)	55.8	42.8	27.1	25.4	17.1	21.8	20.9	20.5				
Asset Quality (%)  GS 3 (INR M)  1,454 1,604 1,808 2,123 3,070 3,388 G3 %  1.4 1.47 1.6 1.8 2.5 2.64 NS 3 (INR M)  697 773 901 1,034 1,534 1,857 NS3 %  0.7 0.7 0.8 0.9 1.3 1.5 PCR (%)  52.1 51.8 50.2 51.3 50.0 45.2	Borrowings/Loans (%)	65.0	63.0	65.9	66.7	63.2	65.2	65.3	65.5				
GS 3 (INR M) 1,454 1,604 1,808 2,123 3,070 3,388 G3 % 1.4 1.47 1.6 1.8 2.5 2.64 NS 3 (INR M) 697 773 901 1,034 1,534 1,857 NS3 % 0.7 0.7 0.8 0.9 1.3 1.5 PCR (%) 52.1 51.8 50.2 51.3 50.0 45.2	Debt/Equity (x)	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.3				
GS 3 (INR M) 1,454 1,604 1,808 2,123 3,070 3,388 G3 % 1.4 1.47 1.6 1.8 2.5 2.64 NS 3 (INR M) 697 773 901 1,034 1,534 1,857 NS3 % 0.7 0.7 0.8 0.9 1.3 1.5 PCR (%) 52.1 51.8 50.2 51.3 50.0 45.2	Asset Quality (%)												
G3 % 1.4 1.47 1.6 1.8 2.5 2.64  NS 3 (INR M) 697 773 901 1,034 1,534 1,857  NS3 % 0.7 0.7 0.8 0.9 1.3 1.5  PCR (%) 52.1 51.8 50.2 51.3 50.0 45.2	· · · · · · · · · · · · · · · · · · ·	1,454	1,604	1,808	2,123	3,070	3,388						
NS3 % 0.7 0.7 0.8 0.9 1.3 1.5 PCR (%) 52.1 51.8 50.2 51.3 50.0 45.2	G3 %		1.47										
PCR (%) 52.1 51.8 50.2 51.3 50.0 45.2	NS 3 (INR M)	697	773	901	1,034	1,534	1,857						
	NS3 %	0.7	0.7	0.8	0.9	1.3	1.5						
	PCR (%)	52.1	51.8	50.2		50.0	45.2						
ELL (%) 1.6 1.6 1.7 1.6 1.9 1.9	ECL (%)	1.6	1.6	1.7	1.6	1.9	1.9						
Return Ratios (%)													
ROA (Rep) 8.2 8.4 8.1 8.0 7.2 7.5	• •	8.2	8.4	8.1	8.0	7.2	7.5						
ROE (Rep) 19.0 19.02 18.5 18.4 16.6 16.91													





### Highlights from the management commentary

#### Guidance

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

#### **New product: Affordable housing finance**

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

#### **Business trends**

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



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

#### **Disbursements and AUM growth**

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

#### Portfolio quality and collections

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

#### Credit costs and asset quality

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

#### **Financial performance**

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



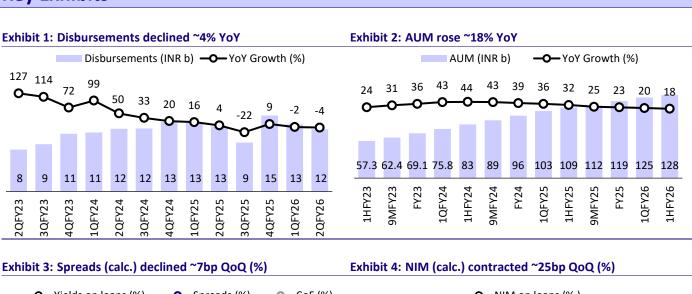
- The company raised INR10.7b of debt during the quarter at an incremental CoF of 8.56%, with overall CoB declining 27bp QoQ. With lower incremental borrowing costs, further reduction in CoB is expected.
- The company's decision to lower yields last year is expected to be offset by the decline in CoF,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

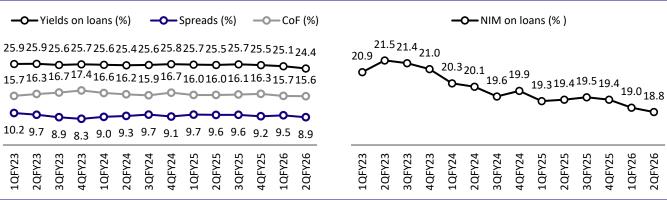
#### Geographic and portfolio insights

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

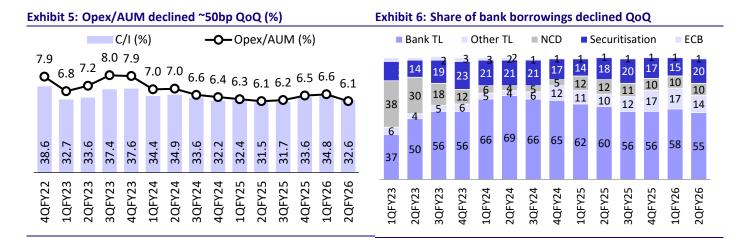


## **Key Exhibits**





Sources: Company; MOFSL Sources: Company; MOFSL





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

#### **Exhibit 8: Credit costs remained elevated QoQ**

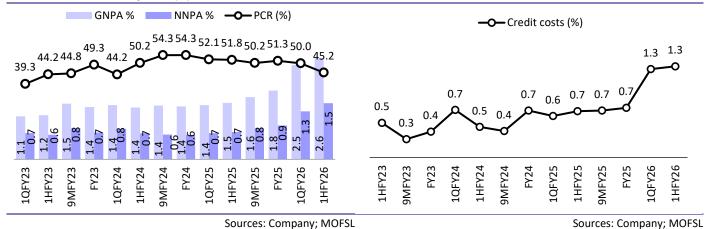
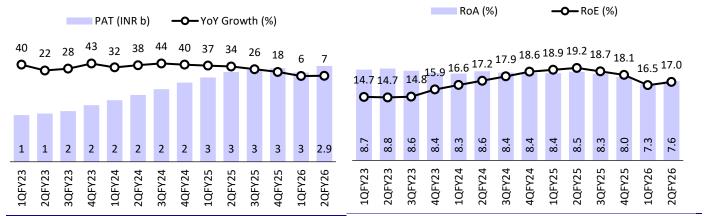


Exhibit 9: PAT rose ~7% YoY to INR3b

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



Sources: Company; MOFSL

Sources: Company; MOFSL

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

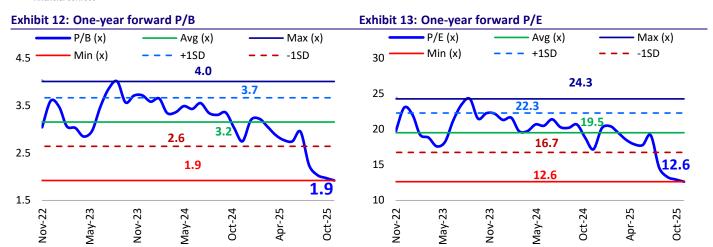
	,							a lotte open	
INR B	Old Est. New Est.						Change (%)		
IINK D	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
NII	24.5	27.7	34.0	24.4	28.3	34.3	-0.5	2.4	0.8
Other Income	1.1	1.2	1.4	1.3	1.5	1.6	20.7	19.9	14.0
Total Income	25.6	28.9	35.4	25.7	29.8	35.9	0.5	3.1	1.3
Operating Expenses	8.3	10.0	11.9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

Sources: MOFSL, Company

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Source: MOFSL, Company





Source: MOFSL, Company

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

E: MOFSL Estimates



## **Financials and Valuation**

Income statement									INR m
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income		10,149			21,166	27,663	31,921	37,682	46,286
Interest Expended	2,174	3,279	3,006		4,685	6,680	7,565	9,345	12,022
Net Interest Income	5,295	6,870		12,325	16,481	20,983	24,355	28,337	34,265
Change (%)	69	30	31	36	34	27	16	16	21
Fees and Commissions (Legal and Technical Fees)	297	217	294	138	219	322	550	596	652
Net gain on fair value changes	102	132	209	83	443	494	533	560	588
Non Operating Income (including recovery of bad debts)	6	15	21	81	123	182	255	318	398
Other Income	405	364	524	301	785	997	1,338	1,475	1,638
Net Income	5,700	7,234	9,556	12,627	17,266	21,980	25,693	29,812	35,902
Change (%)	72	27	32	32	37	27	17	16	20
Employees Cost	1,271	1,637	2,361	3,464	4,286	5,211	5,993	7,191	8,629
Depreciation	101	114	122	173	246	304	362	427	503
Others	342	367	575	741	1,021	1,270	1,600	2,016	2,520
Operating Expenses	1,713	2,118	3,058	4,378	5,553	6,785	7,954	9,634	11,653
Operating Profit (PPoP)	3,986	5,116	6,497	8,249	11,713	15,196	17,739	20,178	24,249
Change (%)	76	28	27	27	42	30	17	14	20
Provisions/write offs	493	352	455	201	554	890	1,898	2,396	2,805
PBT	3,493	4,764	6,042	8,048	11,160	14,306	15,841	17,782	21,444
Tax	874	1,174	1,507	2,012	2,800	3,581	3,976	4,463	5,382
Tax Rate (%)	25.0	24.7	24.9	25.0	25.1	25.0	25.1	25.1	25.1
Reported PAT	2,620	3,590	4,535	6,035	8,359	10,725	11,865	13,319	16,061
Change (%)	67	37	26	33	39	28	11	12	21
Proposed Dividend (incl. tax)	0	0	0	0	0	589	589	736	736
Polonos alcon									
Balance sheet	FV20	EV24	FV22	FV22	EV2.4	FV2F	FV2CE	EV27E	EVANE
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Capital	254	255	291	291	292	294	294	294	294
Reserves & Surplus		22,925			51,669	62,752	74,028		1,02,083
Net Worth		23,180			51,962	63,046	74,322		1,02,377
Borrowings		34,252			63,158	79,220		1,23,098	
Change (%)	146	45	-25	66	49	25	21	29	30
Other liabilities	451	504	739	1,160	1,768	1,940	2,715	3,802	5,132
Total Liabilities					1,16,888				
Loans		43,587	,	,				1,79,181	
Change (%)	83	14	17	34	42	21	23	25	26
Investments	0	0	2,482	1,446	1,077	2,122	2,334	2,568	2,825
Change (%)				-42	-26	97	10	10	10
Net Fixed Assets	279	249	328	449	643	1,487	1,859	2,324	2,905
Other assets	4,945	14,100	9,597	16,914	18,317	23,728	25,167	29,878	35,570
Total Assets	43 532	57.936	63.431	87.030	1,16,888	1 44 206	1 72 535	2 13 951	2 67 272

E: MOFSL Estimates



## **Financials and Valuation**

Y/E March AUM YoY Growth (%) Disbursements YoY Growth (%)	FY20 38,922 84 24,087	<b>FY21</b> 44,454	<b>FY22</b> 50,671	FY23	FY24	FY25	FY26E	FY27E	FY28E
YoY Growth (%) Disbursements YoY Growth (%)	84		50.671	60 440					
Disbursements YoY Growth (%)		4.4	/ -	69,148	96,406	1,18,770	1,45,842	1,82,438	2,29,973
YoY Growth (%)	24,087	14	14	36	39	23	23	25	26
- ' '		12,451	17,562	33,915	48,814	49,697	59,139	74,516	93,145
	63	-48	41	93	44	2	19	26	25
Ratios									
Growth %	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
AUM	84	14	14	36	39	23	23	25	26
Disbursements	63	-48	41	93	44	2	19	26	25
Total Assets	85	33	9	37	34	23	20	24	25
NII	69	30	31	36	34	27	16	16	21
PPOP	76	28	27	27	42	30	17	14	20
PAT	67	37	26	33	39	28	11	12	21
EPS	57	37	10	33	38	27	11	12	21
									(%)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Spreads Analysis (%)									
Yield on loans	25.2	24.8	25.4	25.1	25.6	25.9	24.6	23.4	22.8
Cost of funds	13.1	11.3	10.0	7.8	8.9	9.4	8.7	8.6	8.5
Spread	12.1	13.5	15.4	17.3	16.8	16.5	15.9	14.8	14.3
Net Interest Margin	17.6	16.5	19.0	20.6	19.9	19.6	18.7	17.6	16.9
Profitability Ratios & Capital									
Structure (%)									
Debt-Equity ratio	1.2	1.5	0.7	1.0	1.2	1.3	1.3	1.4	1.6
Capital adequacy - CRAR	52.9	58.9	75.2	67.2	50.5	50.1	40.6	37.5	35.0
Leverage	2.2	2.5	1.7	2.0	2.2	2.3	2.3	2.5	2.6
Int. Expended/Int.Earned	29.1	32.3	25.0	17.8	22.1	24.1	23.7	24.8	26.0
RoA	7.8	7.1	7.5	8.0	8.2	8.2	7.5	6.9	6.7
RoE	15.8	16.8	15.0	15.0	17.5	18.7	17.3	16.5	17.0
Cost/Productivity Ratios (%)									
Cost/Income	30.1	29.3	32.0	34.7	32.2	30.9	31.0	32.3	32.5
Op. Exps./Avg Assets	5.1	4.2	5.0	5.8	5.4	5.2	5.0	5.0	4.8
Op. Exps./Avg AUM	5.7	5.1	6.4	7.3	6.7	6.3	6.0	5.9	5.7
Other Inc./Net Income	7.1	5.0	5.5	2.4	4.5	4.5	5.2	4.9	4.6
AUM/employee (INR m)	10.4	11.3	8.9	9.4	10.3	10.0	11.7	13.4	15.5
AUM/ branch (INR m)	154.5	169.7	168.9	185.4	185.4	158.8	176.1	200.9	232.8
Empl. Cost/Op. Exps. (%)	74.2	77.3	77.2	79.1	77.2	76.8	75.3	74.6	74.1
Asset Quality									
Gross NPAs (INR m)	532	452	530	939	1,328	2,123	3,750	3,986	4,661
Gross NPA (%)	1.4	1.0	1.0	1.4	1.4	1.8	2.6	2.2	2.0
Net NPAs (INR m)	438	371	345	476	608	1,034	2,137	2,192	2,563
Net NPA (%)	1.1	0.8	0.7	0.7	0.6	0.9	1.5	1.2	1.1
PCR (%)	17.7	18.0	34.9	49.3	54.3	51.3	43.0	45.0	45.0
Credit costs (% of gross loans)	1.6	0.8	1.0	0.3	0.67	0.83	1.43	1.46	1.36
VALUATION	2.0	<b>0.0</b>		0.0	0.07	0.00		21.10	
Book Value (INR)	77	91	127	149	178	214	252	296	348
Price-BV (x)	7.9	6.6	4.7	4.0	3.4	2.8	2.4	2.0	1.7
EPS (INR)	10	14	16	21	29	36	40	45	55
EPS Growth YoY	57	37	10	33	38	27	11	12	21
Price-Earnings (x)	58	43	<b>39</b>	29	21	17	15	13	11
DPS (INR)	0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.5	2.5
Dividend yield (%)	<b>0.0</b>	0.0 0.0	0.0 0.0	0.0 0.0	0.0 0.0	0.3	0.3	0.4	0.4
E: MOFSL Estimates	0.0	0.0	0.0	0.0	0.0	0.3	0.3	0.4	0.4

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NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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