

## Five Star Business Finance

Estimate changes	↑
TP change	↔
Rating change	↔

Bloomberg	FIVESTAR IN
Equity Shares (m)	292
M.Cap.(INRb)/(USDb)	223.6 / 2.7
52-Week Range (INR)	877 / 600
1, 6, 12 Rel. Per (%)	-11/-14/-21
12M Avg Val (INR M)	547

Financials Snapshot (INR b)			
Y/E March	FY24	FY25E	FY26E
NII	16.5	21.4	26.5
PPoP	11.7	15.3	18.8
PAT	8.4	10.9	13.2
EPS (INR)	29	37	45
EPS Gr. (%)	38	30	21
BV/Sh. (INR)	178	215	259
Ratios			
NIM (%)	19.9	19	18
C/I ratio (%)	32.2	31.4	32.3
Credit costs	0.7	0.7	0.8
RoAA (%)	8.2	8.1	7.5
RoAE (%)	17.5	19.0	19.0
Dividend payout	0.0	2.7	4.4
Valuations			
P/E (x)	26.7	20.5	16.9
P/BV (x)	4.3	3.6	2.9
Div. yield (%)	0.0	0.1	0.3

Shareholding pattern (%)			
As On	Jun-24	Mar-24	Jun-23
Promoter	26.5	26.5	34.4
DII	6.1	7.0	4.7
FII	57.5	56.1	8.7
Others	10.0	10.5	52.2

FII Includes depository receipts

**CMP: INR764**

**TP: INR950 (+24%)**

**Buy**

**Strong loan growth with stable asset quality; earnings in line**

**NIM contracts ~45bp QoQ due to an increase in leverage**

- Five Star Business Finance (FIVESTAR)'s 1QFY25 PAT grew 37% YoY to ~INR2.5b (in line). NII grew ~31% YoY to INR4.8b (in line), and PPoP rose ~36% YoY to INR3.55b (in line).
- Other income grew 43% YoY to INR283m, aided by higher gains on fair value changes. Opex grew ~24% YoY to INR1.57b (in line). Credit costs at INR185m translated into annualized credit costs of ~70bp (PY: ~90bp).
- Management shared that the company will be passing on the benefits of its cost of borrowings to its customers through a lending rate cut of ~50-75bp (on incremental disbursements) over the next nine months. These rate cuts will be introduced as early as in Aug'24. This will result in gradual moderation in portfolio yields over the course of this and the next fiscal year.
- The company has developed strengths and capabilities in its business model, which are difficult for peers to replicate. We anticipate that the company will maintain its best-in-class growth and profitability, with a CAGR of ~33%/~26% in AUM/PAT over FY24-FY26E. FIVESTAR is expected to command premium valuations relative to its NBFC/HFC peers due to its ability to deliver strong RoA/RoE of 7.5%/19% by FY26E. **Reiterate BUY with a TP of INR950 (based on 3.7x FY26E BV).**

**Spreads stable QoQ; NIM contracts due to an increase in leverage**

- Reported yield was flat QoQ at 24.2% and CoB was also stable QoQ at 9.6%. Spreads stood at ~14.6%. NIM declined ~45bp QoQ to ~16.7%.
- Incremental CoB declined ~10bp QoQ to ~9.5%. Incremental CoB will inch up to ~9.60-9.65%, once some ongoing discussions on capital market borrowings (i.e., NCDs from Mutual Funds) materialize.
- On the liability front, ~65% of its borrowings are floating, and ~35% are fixed rate in nature. Within its bank loans, ~70% of the loans are linked to MCLR (most are one-year and six-month MCLR-linked), and ~30% are EBLR-linked (within this, ~75% are linked to Repo). The CoB will gradually benefit from any cut in repo rates in 2HFY25. We model NIM of ~19%/18% in FY25E/FY26E.

**Asset quality largely stable; cash component in collections declines**

- GS3 and NS3 remained broadly stable QoQ at 1.4% and 0.7%, respectively. The Stage 3 PCR declined ~220bp QoQ to ~52%.
- The current portfolio declined to 86.7% (PQ: 87.4%). Stage 2 rose ~20bp QoQ to ~6.7%. 30+ dpd increased ~25bp QoQ to 8.1% and 1+dpd increased ~70bp QoQ to 13.3%. The cash proportion in collections declined to ~35% (PQ: ~47% and PY: ~58%), because of strong efforts made by the company to reduce cash collections.
- The overall collection efficiency (CE) stood at 98.5% (PQ: 99.5%). Unique loan collections (due one, collect one) stood at 97.2% (PQ: 97.8%).

**Disbursement rises ~16% YoY; AUM grows ~36% YoY**

- Disbursements grew ~16% YoY (flat QoQ) to ~INR13.2b. Loans grew 36% YoY/7% QoQ to ~INR103.4b.
- RoA/RoE stood at 8.2%/19%. Capital adequacy was healthy at ~48%.

**Highlights from the management commentary**

- Management guided a disbursement growth of 25-27%, growth in loan accounts of ~20-22%, and a cost-to-income (incl. credit costs) ratio of ~35-36% in FY25.
- Management acknowledged that the disbursement growth will decelerate, being mindful of how the regulator wants lending institutions to approach loan growth.
- The UPI Auto-pay sign-up is mandatory for the customer effective May'24. The company has made it a pre-condition, prior to disbursements.

**Valuation and view**

- FIVESTAR reported decent business momentum in 1QFY25 despite the impact of elections during the quarter. We expect business momentum to improve in the subsequent quarters as the company remains on track to deliver ~35% AUM growth in FY25. Margin compression is along expected lines, driven by improvement in balance sheet leverage. A minor increase in Stage 2 was due to the seasonality in asset quality in 1QFY25.
- The stock currently trades at 2.9x FY26E P/BV. We believe that FIVESTAR's premium valuations will remain intact, given its niche market position, strong growth potential, superior underwriting practices, resilient asset quality, and high return metrics.
- We estimate FIVESTAR to deliver a ~33% AUM CAGR over FY24-FY26, along with NIM (as a % of average loans) of 19%/18% in FY25/FY26.
- FIVESTAR's asset quality is likely to strengthen, and credit costs are expected to remain benign over FY25-FY26, as the company prioritizes digital collections, thus driving improvement in asset quality. **We reiterate our BUY rating on the stock with a TP of INR950 (premised on 3.7x Mar'26E BVPS).**

FIVESTAR's business: Quarterly Performance										(INR m)	
Y/E March	FY24				FY25E				FY24	FY25E	1QFY25E v/s Est.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			
Interest Income	4,637	5,041	5,495	5,992	6,411	6,892	7,388	7,890	21,166	28,581	6,370
Interest Expenses	962	1,059	1,287	1,377	1,582	1,716	1,866	2,019	4,685	7,183	1,543
<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>5,175</b>	<b>5,522</b>	<b>5,872</b>	<b>16,481</b>	<b>21,398</b>	<b>4,827</b>
YoY Growth (%)	35.9	34.3	31.6	33.4	31.4	30.0	31.2	27.2	33.7	29.8	31.3
Other Income	198	183	205	199	283	213	245	242	785	982	226
<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>5,388</b>	<b>5,767</b>	<b>6,113</b>	<b>17,266</b>	<b>22,380</b>	<b>5,053</b>
YoY Growth (%)	41.3	38.4	35.5	33.0	32.0	29.4	30.7	27.0	36.7	29.6	30.4
Operating Expenses	1,263	1,389	1,412	1,488	1,565	1,685	1,795	1,987	5,553	7,031	1,496
<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>3,703</b>	<b>3,972</b>	<b>4,126</b>	<b>11,713</b>	<b>15,349</b>	<b>3,557</b>
YoY Growth (%)	40.5	37.9	45.5	43.6	35.9	33.4	32.4	24.1	42.0	31.0	36.2
Provisions & Loan Losses	152	106	102	194	185	167	213	257	554	823	233
<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>3,536</b>	<b>3,758</b>	<b>3,869</b>	<b>11,160</b>	<b>14,526</b>	<b>3,324</b>
Tax Provisions	622	676	731	771	846	895	951	940	2,800	3,631	841
<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>2,642</b>	<b>2,807</b>	<b>2,930</b>	<b>8,359</b>	<b>10,894</b>	<b>2,483</b>
YoY Growth (%)	32	38	44	40	37	32	30	24	38.5	30.3	35.1
<b>Key Parameters (%)</b>											
Yield on loans	25.6	25.4	25.6	25.8	25.7						
Cost of funds	9.0	9.3	9.7	9.1	9.7						
Spread	16.6	16.2	15.9	16.7	16.0						
NIM	20.3	20.1	19.6	19.9	19.3						
Credit cost	0.9	0.5	0.5	0.8	0.7						
Cost to Income Ratio (%)	32.6	33.4	32.0	30.9	30.6						
Tax Rate (%)	25.3	25.3	25.2	24.6	25.2						
<b>Performance ratios (%)</b>											
AUM/Branch (INR m)	196.5	181.2	186.1	185.4	189.1						
<b>Balance Sheet Parameters</b>											
<b>AUM (INR B)</b>	75.8	82.6	89.3	96.4	103.4						
Change YoY (%)	43.2	44.2	43.1	39.4	36.4						
<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>						
Change YoY (%)	99.1	50.0	32.8	20.4	16.5						
<b>Borrowings (INR B)</b>	43.2	48.2	57.9	63.2	67.2						
Change YoY (%)	71.3	91.0	82.2	48.7	55.8						
Borrowings/Loans (%)	56.9	58.3	64.8	65.5	65.0						
Debt/Equity (x)	1.0	1.0	1.2	1.2	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>						
G3 %	1.4	1.4	1.4	1.4	1.4						
<b>NS 3 (INR M)</b>	<b>598</b>	<b>557</b>	<b>572</b>	<b>607</b>	<b>697</b>						
NS3 %	0.8	0.7	0.7	0.6	0.7						
PCR (%)	44.2	50.2	54.3	54.3	52.1						
ECL (%)	1.6	1.6	1.6	1.6	1.6						
<b>Return Ratios - YTD (%)</b>											
ROA (Rep)	8.4	8.5	8.3	8.4	8.2						
ROE (Rep)	16.6	17.1	17.7	18.7	19.0						

E: MOFSL Estimates



## Highlights from the management commentary

### Guidance

- Guided for disbursements growth of 25-27%, Loan accounts growth of 20-22% and cost-income ratio of ~35-36% in FY25
- Disbursement growth will decelerate being mindful of how regulator also wants NBFCs/Banks want to approach growth
- FIVESTAR will maintain 15-17% of the AUM (in a steady state) in the form of cash and liquid investments on the balance sheet.

### Business Update

- The Jun'24 quarter was muted for all lenders; despite that, FIVESTAR has done reasonably well
- FIVESTAR's AUM surpassed ~INR100b in the June quarter. Disbursements stood at ~INR13.2b (~INR13.4b in 4QFY24).
- NIM declined ~45bp QoQ because of increased debt and increase leverage
- PAT crossed ~INR2.5 which is the highest quarterly PAT for FIVESTAR
- RoA stood at ~8.2%; Return on Equity is at an all-time high of 18.95% (PQ: 18.65%) and the company will comfortably cross RoE of ~19% for FY25

### Yields

- No discussion between FIVESTAR and Regulator happened on the pricing front. Pricing is based on risk underwriting and market-driven.
- The company will be passing on the benefits on its cost of borrowing to its customers in due course. It will be looking to pass on 50-75bp in rate cuts over the next nine months. It will introduce lending rate cuts as early as in Aug'24.

### Cost of funds

- The CoB stood at ~9.6%. Incremental CoB declined ~10bp QoQ from 9.58% in 4QFY24 to 9.47% in 1QFY25.
- Incremental CoB will inch up (to ~9.60-9.65%) once some ongoing discussions on Capital Market borrowings (NCDs from Mutual Funds) materialize

### Liabilities and credit rating

- Borrowings from banks declined to 74% (PQ: 79%) of the borrowing mix
- Liabilities mix: ~65% floating and ~35% fixed-rate liabilities. Within bank loans, ~70% are linked to MCLR (most of it are one-year and six-month MCLR-linked) and ~30% are EBLR-linked (within this, ~75% is linked to Repo). From the date of the rate cut, 60% of its borrowings will benefit over the next 12 months.
- Best-case for a credit rating upgrade is towards the end of the calendar year and fiscal year. A Credit Rating upgrade is around 2-3 quarters away.

### Asset Quality

- Gross Stage 3 assets moved to 1.41% (v/s 1.38% in 4QFY24 and was stable YoY). It was a tough quarter for all lenders in 1QFY25. Prolonged elections and heat waves had an impact on the cashflows of the customers. FIVESTAR has a very strong collection infrastructure at the ground level and it had a good collection strategy in May/Jun'24.

- Minor deterioration in asset quality will get corrected during the course of the year.
- In Jul'24, the collections were better than Jun'24.
- Write-offs stood at ~INR70m (~30bp of ECL provisions and ~30bp of write-offs). Will continue to do some technical write-offs for tax purposes. Comfortable holding Stage 3 PCR at >50% and ECL/EAD of 1.5%-1.6% (over a steady state basis)
- LGD is 10-12%; There is also a regulatory expectation of keeping the PCR above ~50%
- Write-offs (credit losses) tend to be 20-25bp of the opening book. Technical write-offs could be 35-40bp.
- Some seasoning of the portfolio happens around 3.0-3.5 years and on a static pool basis, the lagged NPA tends to be 2.0-2.5%
- Newer vintage loans are coming with lower PD and LGD; FIVESTAR reviews the ECL model once in three years

### Collections

- CE in Jun'24 was lower than Mar'24, because of usual seasonality of 1Q of the fiscal year. Elections and heat waves further led to the lower collections.
- Unique CE stood at 97.2% (v/s 97.8% in 4QFY24)
- Penetration of digital payments in collections continues to improve - 65% non-cash collections and ~35% cash collections. Company guided for cash proportion in collections to decline to ~30% by Mar'25.
- Introduced a payments app where the customer can login and make a payment (in partnership with RazorPay). Now a customer can login into any popular BBPS app and make payment using UPI. Customers can now also make payment using the QR codes (starting from Jan'24).
- UPI Auto-pay sign-up is mandatory for the customer effective May'24 for any disbursements. The company has made it a pre-condition prior to the disbursement.
- In Rural markets, customers still wanted to pay by cash but in semi-urban markets, customers want to repay using digital methods

### Growth

- It has been Business as Usual (BAU) in TN but growth in TN was not catching up with growth in AP and TS. In this fiscal year, both TN and KAR will catch up with AP and TS.
- Across all states, many companies have been entering small business loans (SBL). However, this does not have any significant impact on FIVESTAR.
- In Central India, the ticket Size is ~40% lower than in South. Productivity is higher but ticket sizes are lower in Central India. The proportion of Central India will gradually start improving and there are enough investments happening on the ground.
- AUM mix between loans deployed for [Business purpose] and [Housing, Construction and Personal use] stood between ~55% and ~45%

### Number of loans and ticket sizes

- Active loans stood at ~410K (up ~29% YoY). Ticket Size remained largely flat at INR350K.

**Branches**

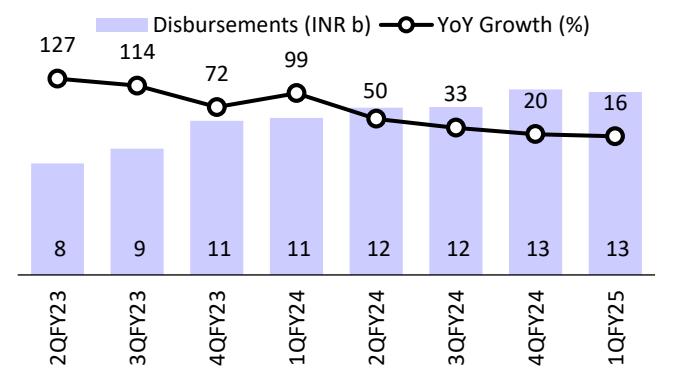
- Opened 27 branches in the quarter and total branch count stood at 547. Split branches constituted ~50% of the new branches in 1QFY25 and remaining ~50% of the branches were newly opened (from scratch)
- Guided for ~200 additional branches in FY25. Out of this, 80-90 will be new branches and ~100 branches which will be split in FY25.
- FIVESTAR will bring down the number of employees per branch to 8 (v/s 15 earlier)
- FIVESTAR has always been strong in Tier 4, 5 and 6 cities. More and more branches in Tier 5 and 6 are being split.

**Others**

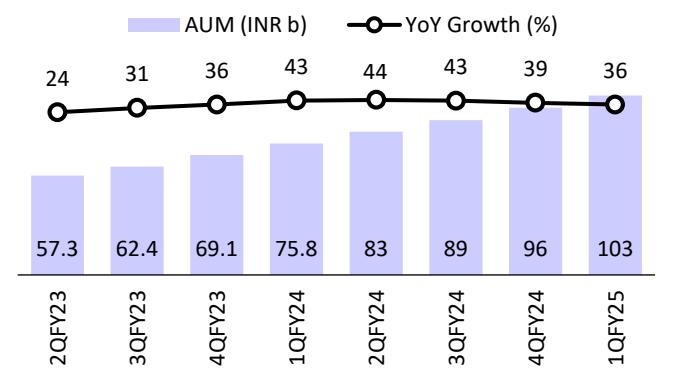
- Fees that it gets from the customers for storing their documents. These fees are upfronted.
- Origination tenor is 6.0-6.5 years and behavioral tenor is around 4.0-4.5 years
- Top-up Loans are ~8-10% of the total AUM and ~4-5% of the disbursements. Customers can apply for a top-up loan after 2 years of seasoning with FIVESTAR. A fresh re-evaluation of the customer is done when the customer applies for a top-up loan.
- ~90% of the disbursements happen to the newer customers from the branches. Leverage of the customer is checked at the time of underwriting a customer and sanctioning a new loan.

## Key Exhibits

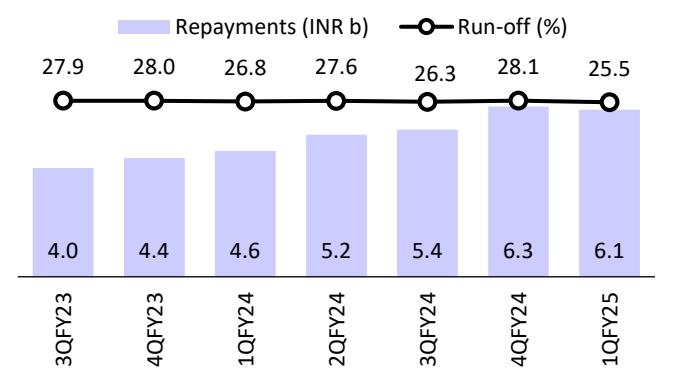
### Exhibit 1: Disbursements grew ~16% YoY



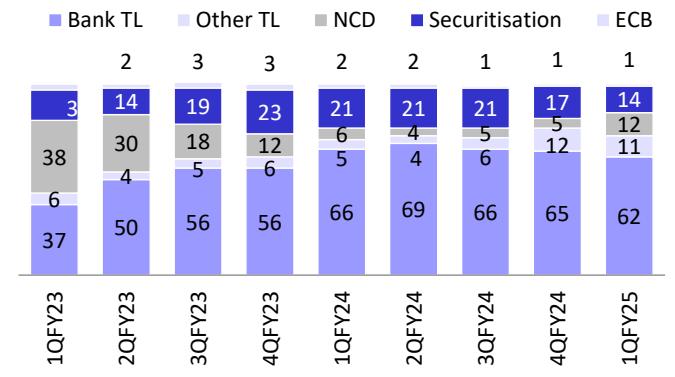
### Exhibit 2: AUM grew ~36% YoY



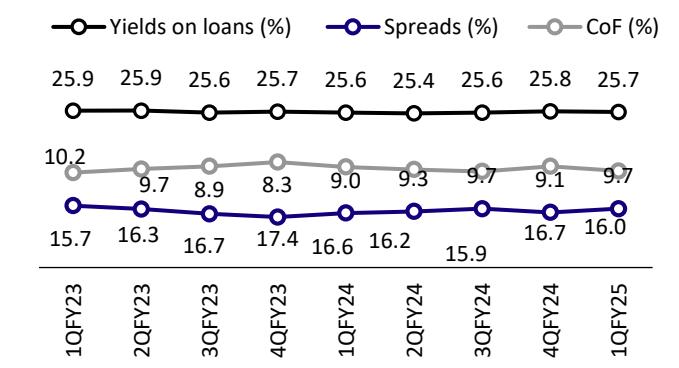
### Exhibit 3: Repayments (annualized) were lower YoY/QoQ



### Exhibit 4: Bank borrowings continued to decline

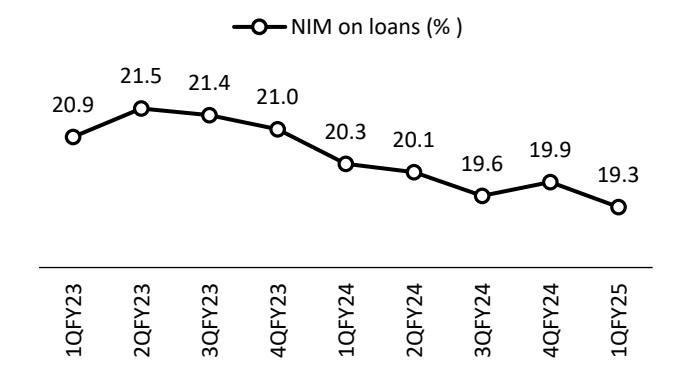


### Exhibit 5: Spreads (calc.) declined ~80bp QoQ (%)

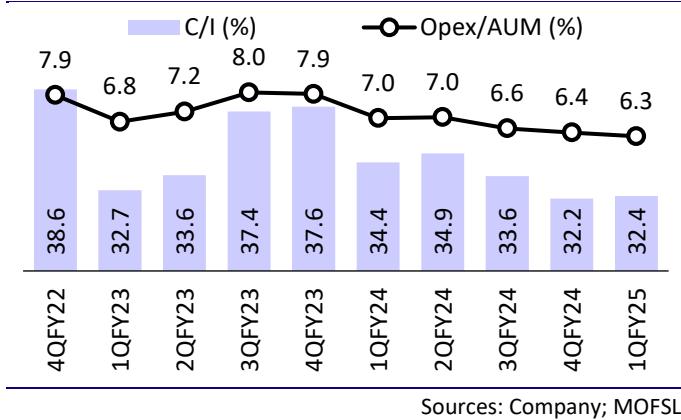


Sources: Company; MOFSL

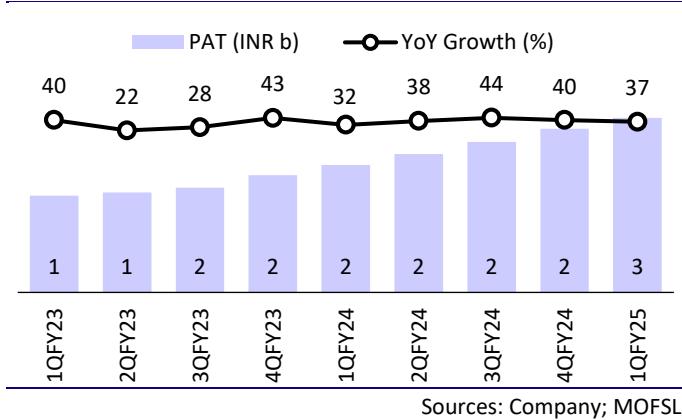
### Exhibit 6: NIM (calc.) contracted ~55bp QoQ (%)



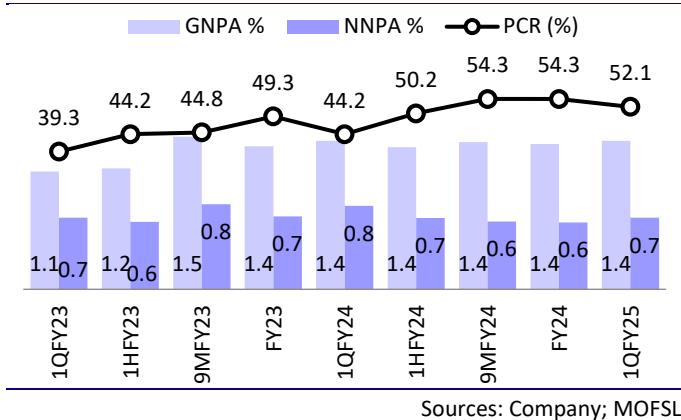
Sources: Company; MOFSL

**Exhibit 7: Opex/AUM declined ~15bp QoQ (%)**

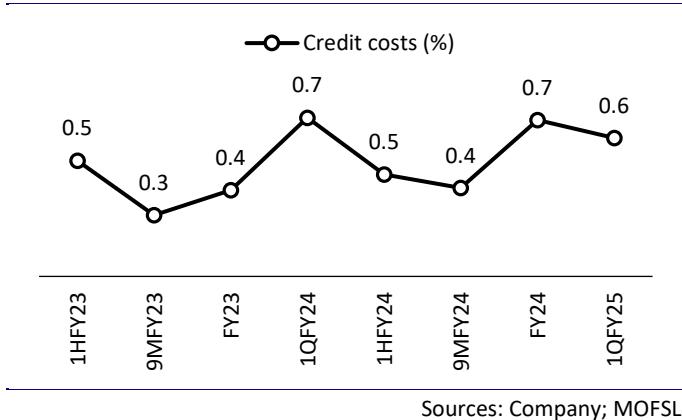
Sources: Company; MOFSL

**Exhibit 8: PAT rose ~37% YoY**

Sources: Company; MOFSL

**Exhibit 9: GS3 remained stable QoQ (%)**

Sources: Company; MOFSL

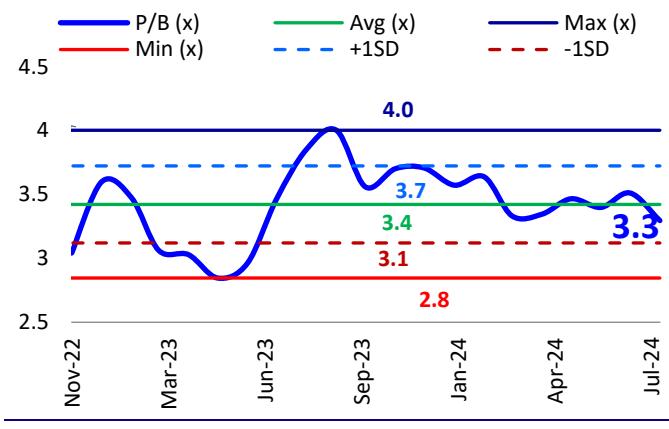
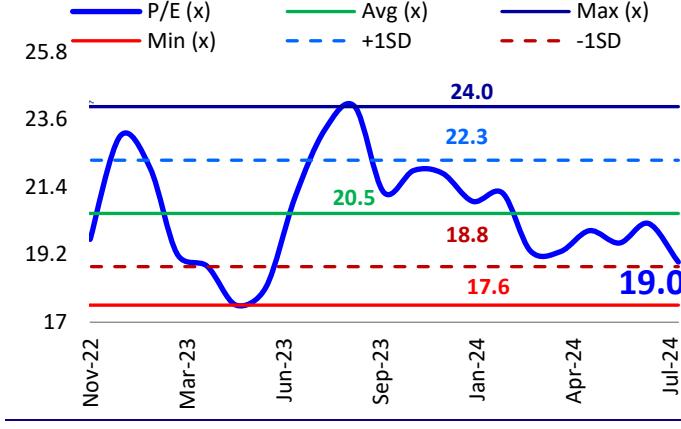
**Exhibit 10: Credit costs declined ~10bp QoQ**

Sources: Company; MOFSL

**Exhibit 11: We raise our FY25/FY26 EPS estimates by ~5% each to factor in higher loan growth, lower opex, and credit costs**

INR B	Old Est.		New Est.		% Change	
	FY25	FY26	FY25	FY26	FY25	FY26
NII	21.1	25.9	21.4	26.5	1.4	2.3
Other Income	1.0	1.3	1.0	1.3	-0.4	-0.5
<b>Total Income</b>	<b>22.1</b>	<b>27.2</b>	<b>22.4</b>	<b>27.8</b>	<b>1.3</b>	<b>2.2</b>
Operating Expenses	7.2	9.3	7.0	9.0	-2.9	-3.2
<b>Operating Profits</b>	<b>14.8</b>	<b>17.9</b>	<b>15.3</b>	<b>18.8</b>	<b>3.4</b>	<b>4.9</b>
Provisions	1.0	1.1	0.8	1.2	-17.2	7.5
<b>PBT</b>	<b>13.9</b>	<b>16.8</b>	<b>14.5</b>	<b>17.6</b>	<b>4.8</b>	<b>4.8</b>
Tax	3.5	4.2	3.6	4.4	4.8	5.2
<b>PAT</b>	<b>10.4</b>	<b>12.6</b>	<b>10.9</b>	<b>13.2</b>	<b>4.8</b>	<b>4.6</b>
AUM	129	166	130	170	0.9	2.1
Borrowings	89	118	87	119	-1.8	0.8
<b>RoA</b>	<b>7.7</b>	<b>7.2</b>	<b>8.1</b>	<b>7.5</b>	<b>5.3</b>	<b>4.4</b>
<b>RoE</b>	<b>18.2</b>	<b>18.4</b>	<b>19.0</b>	<b>19.0</b>	<b>4.4</b>	<b>3.4</b>

Sources: MOFSL, Company

**Exhibit 12: One-year forward P/B****Exhibit 13: One-year forward P/E**

## Financials and Valuation

Income statement								INR m
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	3,897	7,468	10,149	12,038	14,988	21,166	28,581	36,301
Interest Expended	769	2,174	3,279	3,006	2,663	4,685	7,183	9,767
<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>21,398</b>	<b>26,534</b>
Change (%)		69	30	31	36	34	30	24
Fees and Commissions (Legal and Technical Fees)	133	297	217	294	138	219	250	394
Net gain on fair value changes	59	102	132	209	83	443	554	637
Non-Operating Income (including recovery of bad debts)	0	6	15	21	81	123	178	240
Other Income	192	405	364	524	301	785	982	1,271
<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>22,380</b>	<b>27,805</b>
Change (%)		72	27	32	32	37	30	24
Employees Cost	765	1,271	1,637	2,361	3,464	4,286	5,400	6,858
Depreciation	42	101	114	122	173	246	344	464
Others	253	342	367	575	741	1,021	1,287	1,647
Operating Expenses	1,061	1,713	2,118	3,058	4,378	5,553	7,031	8,970
<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>15,349</b>	<b>18,835</b>
Change (%)		76	28	27	27	42	31	23
Provisions/write offs	76	493	352	455	201	554	823	1,226
<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>14,526</b>	<b>17,608</b>
Tax	618	874	1,174	1,507	2,012	2,800	3,631	4,420
Tax Rate (%)	28.3	25.0	24.7	24.9	25.0	25.1	25.0	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>10,894</b>	<b>13,189</b>
Change (%)		67	37	26	33	39	30	21
Proposed Dividend (incl. tax)	0	0	0	0	0	0	292	585

### Balance sheet

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Capital	239	254	255	291	291	292	292	292
Reserves & Surplus	13,412	19,190	22,925	36,812	43,104	51,669	62,564	75,460
<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>62,856</b>	<b>75,752</b>
Borrowings	9,600	23,637	34,252	25,588	42,473	63,158	87,107	1,18,518
Change (%)		146	45	-25	66	49	38	36
Other liabilities	247	451	504	739	1,160	1,768	2,563	3,589
<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>1,52,526</b>	<b>1,97,859</b>
Loans	20,959	38,308	43,587	51,024	68,222	96,851	1,28,098	1,66,926
Change (%)		83	14	17	34	42	32	30
Investments	0	0	0	2,482	1,446	1,077	1,131	1,244
Change (%)					-42	-26	5	10
Net Fixed Assets	95	279	249	328	449	643	804	1,005
Other assets	2,445	4,945	14,100	9,597	16,914	18,318	22,493	28,684
<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>1,16,889</b>	<b>1,52,526</b>	<b>1,97,859</b>

E: MOFSL Estimates

## Financials and Valuation

### AUM Mix (%)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>AUM</b>	21,128	38,922	44,454	50,671	69,148	96,406	1,30,159	1,69,838
YoY Growth (%)	110	84	14	14	36	39	35	30
<b>Disbursements</b>	14,822	24,087	12,451	17,562	33,915	48,814	62,482	78,727
YoY Growth (%)	110	63	-48	41	93	44	28	26

### Ratios

Growth %	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
AUM	110	84	14	14	36	39	35	30
Disbursements	110	63	-48	41	93	44	28	26
Total Assets	104	85	33	9	37	34	30	30
NII	140	69	30	31	36	34	30	24
PPOP	170	76	28	27	27	42	31	23
PAT	194	67	37	26	33	39	30	21
EPS	136	57	37	10	33	38	30	21

(%)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Spreads Analysis (%)</b>								
Yield on loans	25.2	25.2	24.8	25.4	25.1	25.6	25.4	24.6
Cost of funds	10.2	13.1	11.3	10.0	7.8	8.9	9.6	9.5
Spread	15.0	12.1	13.5	15.4	17.3	16.8	15.9	15.1
Net Interest Margin	20.0	17.6	16.5	19.0	20.6	19.9	19.0	18.0
<b>Profitability Ratios &amp; Capital Structure (%)</b>								
Debt-Equity ratio	0.7	1.2	1.5	0.7	1.0	1.2	1.4	1.6
Capital adequacy - CRAR	64.1	52.9	58.9	75.2	67.2	50.5	41.1	35.1
Leverage	1.7	2.2	2.5	1.7	2.0	2.2	2.4	2.6
Int. Expended/Int.Earned	19.7	29.1	32.3	25.0	17.8	22.1	25.1	26.9
RoA	8.9	7.8	7.1	7.5	8.0	8.2	8.1	7.5
RoE	16.0	15.8	16.8	15.0	15.0	17.5	19.0	19.0
<b>Cost/Productivity Ratios (%)</b>								
Cost/Income	31.9	30.1	29.3	32.0	34.7	32.2	31.4	32.3
Op. Exps./Avg Assets	6.1	5.1	4.2	5.0	5.8	5.4	5.2	5.1
Op. Exps./Avg AUM	6.8	5.7	5.1	6.4	7.3	6.7	6.2	6.0
Other Inc./Net Income	5.8	7.1	5.0	5.5	2.4	4.5	4.4	4.6
AUM/employee (INR m)	10.7	10.4	11.3	8.9	9.4	10.3	11.0	12.8
AUM/ branch (INR m)	122.1	154.5	169.7	168.9	185.4	185.4	209.9	242.6
Empl. Cost/Op. Exps. (%)	72.2	74.2	77.3	77.2	79.1	77.2	76.8	76.5

Asset Quality	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Gross NPAs (INR m)	181	532	452	530	939	1,328	1,952	2,879
Gross NPA (%)	0.9	1.4	1.0	1.0	1.4	1.4	1.5	1.7
Net NPAs (INR m)	139	438	371	345	476	607	898	1,295
Net NPA (%)	0.7	1.1	0.8	0.7	0.7	0.6	0.7	0.8
PCR (%)	22.9	17.7	18.0	34.9	49.3	54.3	54.0	55.0
Credit costs (% of gross loans)	0.5	1.6	0.8	1.0	0.3	0.7	0.7	0.8

VALUATION	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Book Value (INR)	57	77	91	127	149	178	215	259
Price-BV (x)	13.4	10.0	8.4	6.0	5.1	4.3	3.6	2.9
EPS (INR)	7	10	14	16	21	29	37	45
EPS Growth YoY		57	37	10	33	38	30	21
Price-Earnings (x)	117	74	54	49	37	27	21	17
DPS (INR)	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.3

E: MOFSL Estimates

## Financials and Valuation

### DuPont Analysis

%	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	22.3	22.3	20.0	19.8	19.9	20.8	21.2	20.7
Interest Expended	4.4	6.5	6.5	5.0	3.5	4.6	5.3	5.6
<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>15.9</b>	<b>15.1</b>
Other Income	1.1	1.2	0.7	0.9	0.4	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>16.6</b>	<b>15.9</b>
<b>Operating Expenses</b>	<b>6.1</b>	<b>5.1</b>	<b>4.2</b>	<b>5.0</b>	<b>5.8</b>	<b>5.4</b>	<b>5.2</b>	<b>5.1</b>
<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>11.4</b>	<b>10.8</b>
Provisions	0.4	1.5	0.7	0.8	0.3	0.5	0.6	0.7
<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>10.8</b>	<b>10.1</b>
Tax	3.5	2.6	2.3	2.5	2.7	2.7	2.7	2.5
<i>Tax Rate (%)</i>	28.3	25.0	24.7	24.9	25.0	25.1	25.0	25.1
<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>8.1</b>	<b>7.5</b>
Leverage	1.8	2.0	2.4	2.0	1.9	2.1	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>19.0</b>	<b>19.0</b>

E: MOFSL Estimates

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