

Five Star Business Finance (FIVESTAR)-ADD

Result Update

Current Market Price (CMP)

Rs.793

Target Price

Rs.875

Rationale:

- Co. will likely deliver 30% loan growth in FY25E as compared with 39% in FY24.
- We build in lower NIM (Net Interest Margin) and higher credit costs, which reflect a risk in sub-prime markets.
- Asset quality performance has been robust, encouraging management to continue business momentum.
- We expect stock performance to catch up with its operational performance once the Street's anxieties on a tighter regulatory stance reduce.
- Retain ADD with an unchanged FV of Rs875.

Result update:

Positives:

- Five Star reported Q4FY24 PAT of Rs240 cr, up 40% yoy and 4% above estimates.
- NII (Net Interest Income) was up 33% yoy, driven by 39% AUM growth.
- Co's gross stage-2 and gross stage-3 ratios improved to 6.5% and 1.3%, respectively.
- Stressed loans were down 20 bps qoq, driven by improvement in early buckets
- Investment in franchise to drive growth.

Negatives:

- NIM to compress over the medium term.

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For detailed report dated 02th May 2024. Note: CMP & valuation may differ due to difference in dates.



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