Dated: 30th Oct 2025

# Five Star Business Finance (FIVESTAR) - BUY

## Result Update

| Current Market Price (CMP) | Fair Value (FV) |
|---|---|
| **Rs.605** | **Rs.750** |

## Rationale:

- Five Star is finally showing signs of stabilization.
- We expect moderate improvements in 2H, with a step-up from FY27E.
- Lower near-term growth and a reset of credit costs drive earnings cuts.
- The valuation factors in near-term risk but is not building in the upside after the stabilization of the business next year.
- Retain BUY FV Rs750.

## Q2FY26 Earnings Update:

### Positives:

- Five Star reported a PAT of Rs290 cr in Q2FY26, up 7% yoy and 2% above our estimates.
- Five Star reported a qoq flat credit cost of 1.6% in Q2FY26.
- Management expects that with stabilization of asset quality and investments in the sales team, growth should pick up from 2HFY26E.
- We expect an improvement in loan growth to 25% by FY27E.
- Incremental cost of funds was lower at 8.6% versus 9.3% for the book, reflecting further tailwinds.

### Negatives:

- Disbursements declined 4% yoy in Q2FY26 and 2% in Q1FY26
- Co. has guided for a peaking of credit costs, though it does not expect a moderation either.



Holding Period: 12 months

## RATING SCALE (PRIVATE CLIENT GROUP)

### Definitions of ratings

| | | |
|---|---|---|
| **BUY** | – | We expect the stock to deliver more than 15% returns over the next 12 months |
| **ADD** | – | We expect the stock to deliver 5% - 15% returns over the next 12 months |
| **REDUCE** | – | We expect the stock to deliver -5% - +5% returns over the next 12 months |
| **SELL** | – | We expect the stock to deliver < -5% returns over the next 12 months |
| **NR** | – | **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only. |
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| **RS** | – | **Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon. |
| **NA** | – | **Not Available or Not Applicable.** The information is not available for display or is not applicable |
| **NM** | – | **Not Meaningful.** The information is not meaningful and is therefore excluded. |
| **NOTE** | – | Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark. |

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