

May 19, 2022

Five-Star Business Finance Limited: Rating withdrawn for PTCs issued under one small business loan securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. Crore)	Previous Rated Amount (Rs. crore)	Current outstanding Amount (Rs. crore)	Rating Action
Northern Arc 2020 SBL Kastellorizo	PTC Series A1 (c)	22.39	5.44	0.00	[ICRA]AA+(SO); Withdrawn

*Instrument details are provided in Annexure-1

Rationale

ICRA has withdrawn the rating for pass through certificates (PTCs) issued under a small business loan receivables transaction originated by Five-Star Business Finance Limited (Five-Star), as tabulated above. All the payouts to the investors in the above-mentioned instrument has been made and no further payments are due to the investors.

The key rating drivers, liquidity position, rating sensitivities have not been captured as the rated instrument is being withdrawn. The previous detailed rating rationale is available at the following link: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Policy on Withdrawal of Credit Rating
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

Five-Star Business Finance Limited (FSBFL) is a Chennai-headquartered non-banking financial company (NBFC) extending secured loans to micro entrepreneurs and self-employed individuals, predominantly in semi-urban markets. The company commenced operations in 1984, with a focus on consumer loans and vehicle finance. In 2005, it shifted its focus to small business loans with typical loan tickets of Rs. 2-10 lakh and an average ticket size of Rs. 3.5 lakh. The loans are predominantly backed by self-occupied residential properties and FSBFL had 280 branches as of December 31, 2021.

The seven institutional investors (Matrix Partners, TPG Asia, Norwest Venture Partners, Sequoia Capital, Sirius II Pte. Ltd (KKR), Bay Capital and TVS Shriram Growth Fund) held a stake of 70.6% in the company as of December 31, 2021, with the promoters holding ~20% (fully diluted).

Key financial indicators (Ind-AS; audited)

Five-Star Business Finance Limited	FY2020	FY2021	FY2022
Total Income (Rs. crore)	787.3	1,051.3	1,256.2
PAT (Rs. crore)	261.9	359.0	453.5
Total Managed Assets (Rs. crore)	4,353.2	5,793.6	6,343.1
Gross NPA (%)	1.4%	1.0%	1.1%
Net NPA (%)	1.1%	0.8%	0.7%

Note: Amounts in Rs. crore; Source: Company & ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Trust Name	Current Rating (FY2023)			Chronology of Rating History for the past 3 years					
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021		Date & Rating in FY2020	
					May 19, 2022	February 21, 2022	February 25, 2021	Jul 16, 2020 [^]	Jan 31, 2020 [*]	
1	Northern Arc 2020 SBL Kastellorizo	PTC Series A1 (c)	22.39	0.00	[ICRA]AA+(SO); Withdrawn	[ICRA]AA+(SO);	[ICRA]AA+(SO)	[ICRA]AA+(SO)	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)

*Initial rating assigned

[^]Final rating assigned

Complexity level of the rated instruments

Instrument	Complexity Indicator
PTC Series A1 (c)	Moderately Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating
Northern Arc 2020 SBL Kastellorizo	PTC Series A1 (c)	January 2020	10.35%	January 2026	0.00	[ICRA]AA+(SO); Withdrawn

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

ANALYST CONTACTS

Abhishek Dafria

+91 22 6114 3440

abhishek.dafria@icraindia.com

Sachin Joglekar

+91 22 6114 3470

sachin.joglekar@icraindia.com

Sohil Mehta

+91 22 6114 3449

sohil.mehta@icraindia.com

Rushabh Gohel

+91 22 6114 3434

rushabh.gohel@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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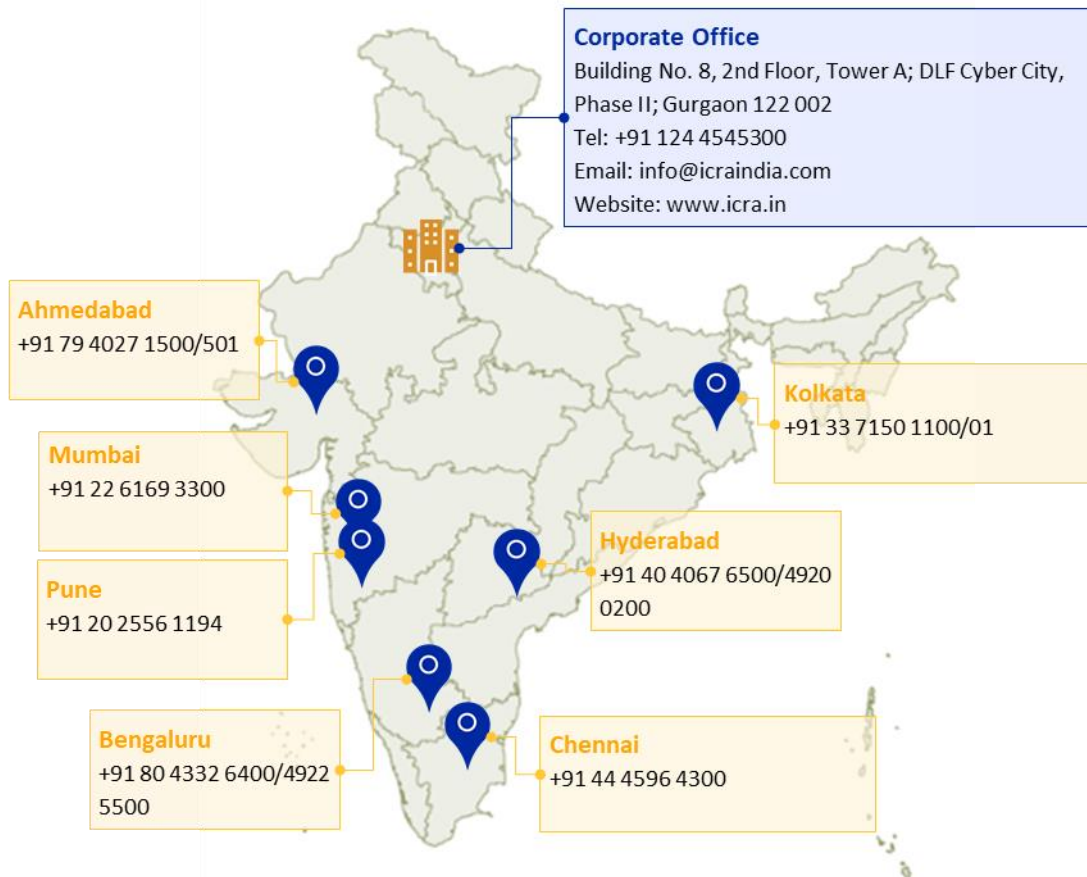
Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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