

November 11, 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Five-Star Business Finance Limited: Rating withdrawn for PTCs issued under one small business loan securitisation transaction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Northern Arc 2020 SBL Otis	PTC Series A1	70.10	11.10	0.00	[ICRA]AA(SO); Withdrawn

*Instrument details are provided in Annexure I

Rationale

ICRA has withdrawn the rating for pass through certificates (PTCs) issued under one small business loan receivables transactions originated by Five-Star Business Finance Limited (FSBFL; rated [ICRA]A+(Stable)), as tabulated above. All the payouts to the investors in the above-mentioned instruments have 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liquidity position, rating sensitivities have not been captured as the rating assigned to the instruments have been withdrawn. The previous detailed rating rationale of surveillance exercise 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 300 branches as of March 31, 2022.

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	787.3	1,051.3	1,256.2
PAT	261.9	359.0	453.5
Total managed assets	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%

Status of non-cooperation with previous CRA: Not applicable
Any other information: None
Rating history for past three years

Trust Name	Instrument	Current Rating (FY2023)		Chronology of Rating History for the Past 3 Years				
		Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date and Rating in FY2023	Date and Rating in FY2022	Date and Rating in FY2021		Date and Rating in FY2020
				Nov 11, 2022	Feb 21, 2022	Feb 25, 2021	May 20, 2020 [^]	Mar 03, 2020 [*]
1 Northern Arc 2020 SBL Otis	PTC Series A1	70.10	0.00	[ICRA] AA(SO); withdrawn	[ICRA] AA(SO)	[ICRA]AA(SO)	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)

** Initial rating assigned*
[^] Final rating assigned
Complexity level of the rated instrument

Sr. No.	Trust Name	Instrument	Complexity Indicator
1	Northern Arc 2020 SBL Otis	PTC Series A1	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 analyzing 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 I: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating
Northern Arc 2020 SBL Otis	PTC Series A1	February 2020	9.75%	April 2024	0.00	[ICRA]AA(SO); Withdrawn

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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About ICRA Limited:

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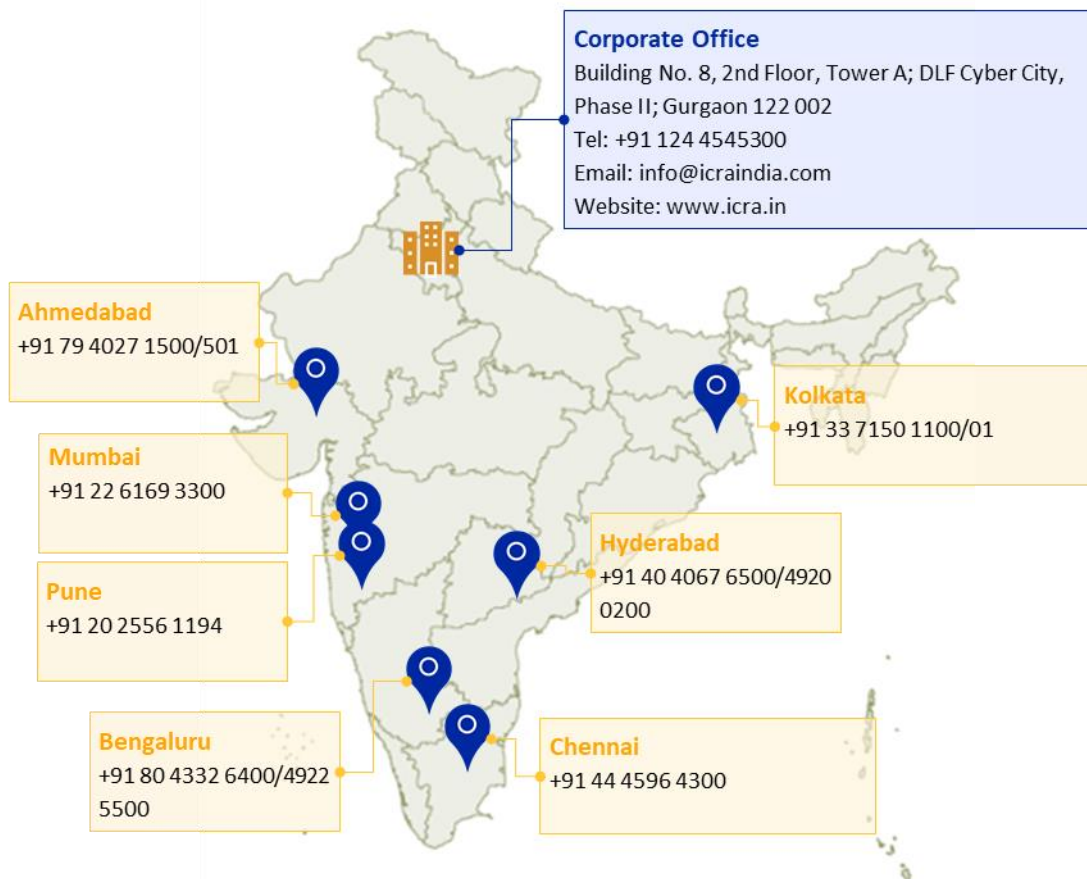
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