

February 09, 2023

Five-Star Business Finance Limited: Ratings withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debenture programme – Market linked debenture	125.00	-	PP-MLD[ICRA]AAA(CE) (Stable); withdrawn
Non-convertible debenture programme – Market linked debenture	150.00	150.00	PP-MLD[ICRA]AAA(CE) (Stable); outstanding
Non-convertible debenture programme – Market linked debenture	65.00	65.00	PP-MLD[ICRA]A+ (Stable); outstanding
Non-convertible debenture programme	400.00	400.00	[ICRA]A+ (Stable); outstanding
Long term fund-based bank facilities	865.48	865.48	[ICRA]A+ (Stable); outstanding
Long term – Unallocated	334.52	334.52	[ICRA]A+ (Stable); outstanding
Total	1,940.00	1,815.00	

Rating Without Explicit Credit Enhancement

[ICRA]A+

*Instrument details are provided in Annexure-1

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement.

The letters, PP-MLD, prefixed to a rating symbol stand for principal protected market linked debentures. According to the terms of the rated instrument, the amount invested, i.e. the principal, is protected against erosion while the returns on the investment could vary, being linked to movements in one or more variables such as equity indices, commodity prices, and/or foreign exchange rates. The rating assigned expresses ICRA's current opinion on the credit risk associated with the issuer concerned. The rating does not address the risks associated with variability in returns resulting from adverse movements in the variable(s) concerned.

Rationale

The ratings assigned to the market linked debenture (MLDs) of Five Star Business Finance Limited has been withdrawn at the request of the company as there is no amount outstanding against the rated MLDs and in accordance with ICRA's policy on withdrawal of credit rating. ICRA is withdrawing the rating and it does not have information to suggest that the credit risk has changed since the time the rating was last reviewed. The Key rating drivers, Liquidity position, Rating sensitivities have not been captured as the rated instruments are being withdrawn. The previous detailed rating rationale is available at the following link: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Policy on withdrawal of credit ratings
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. 1-10 lakh and an average ticket size of Rs. 3.5 lakh. The loans are predominantly backed by self-occupied residential properties. FSBFL had 369 branches as of December 31, 2022.

Key financial indicators (audited)

Five-Star Business Finance Limited	FY2021	FY2022	9M FY2023*
Total income	1,051.3	1,256.2	1,089.6
Profit after tax	359.0	453.5	434.6
Total managed assets	5,793.6	6,343.1	7,431.9
% Gross NPAs	1.0%	1.1%	1.5%
% Net NPAs	0.8%	0.7%	0.8%

*Gross NPA and Net NPA computed as per latest RBI guidelines. GNPA and NNPA without considering the same would have been 1.2% and 0.6% respectively.
Source: company; ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years							
		Type	Initial amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & Rating		Date & Rating in FY2022	Date & Rating in FY2021				Date & Rating in FY2020	
					Feb 09, 2023	Dec 15, 2022	Dec 21, 2021	Feb 8, 2021	Feb 1, 2021	Dec 29, 2020	Dec 22, 2020	-	
1	PP-MLD	Long term	75.0	-	PP-MLD [ICRA]AAA(CE) (Stable) withdrawn	PP-MLD [ICRA]AAA(CE) (Stable)	PP-MLD [ICRA]AAA(CE) (Stable)	PP-MLD [ICRA]AAA(CE) (Stable)	PP-MLD [ICRA]AAA(CE) (Stable)	PP-MLD [ICRA]AAA(CE) (Stable)	PP-MLD [ICRA]AAA(CE) (Stable)	Provisional PP-MLD [ICRA]AAA(CE) (Stable)	-
2	PP-MLD	Long term	50.0	-	PP-MLD [ICRA]AAA(CE) (Stable) withdrawn	PP-MLD [ICRA]AAA(CE) (Stable)	PP-MLD [ICRA]AAA(CE) (Stable)	PP-MLD [ICRA]AAA(CE) (Stable)	PP-MLD [ICRA]AAA(CE) (Stable)	PP-MLD [ICRA]AAA(CE) (Stable)	PP-MLD [ICRA]AAA(CE) (Stable)	Provisional PP-MLD [ICRA]AAA(CE) (Stable)	-
3	PP-MLD	Long term	150.0	150.0	PP-MLD [ICRA]AAA(CE) (Stable)	PP-MLD [ICRA]AAA(CE) (Stable)	PP-MLD [ICRA]AAA(CE) (Stable)	PP-MLD [ICRA]AAA(CE) (Stable)	Provisional PP-MLD [ICRA]AAA(CE) (Stable)	-	-	-	-

For details on other ICRA-rated instruments of the company, refer to the rationales given [here](#)

Complexity level of the rated instrument

Transaction Name	Instrument	Complexity Indicator
Dhruva-VI Northern Arc CE MLD 12 2020 (Dhruva-VI)	Principal Protected Market Linked Debentures (PP-MLD)	Complex
Dhruva VII CredAvenue 12 2020 Trust (Dhruva VII)	Principal Protected Market Linked Debentures (PP-MLD)	Complex
Dhruva XI 01 2021	Principal Protected Market Linked Debentures (PP-MLD)	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 are available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE128S07549	PP-MLD [^]	Dec 16, 2020	9.25%*	Dec 16, 2027	75.0	PP-MLD [ICRA]AAA(CE) (Stable); withdrawn
INE128S07556	PP-MLD [^]	Dec 17, 2020	9.25%*	Dec 17, 2027	50.0	PP-MLD [ICRA]AAA(CE) (Stable); withdrawn
INE128S07564	PP-MLD	Jan 29, 2020	9.00%**	Apr 30, 2023	150.0	PP-MLD [ICRA]AAA(CE) (Stable)

[^] Call option exercised

* Additionally, step-up interest of 6.00% is applicable from date of issuance in case of trigger event

** Additionally, step-up interest of 6.25% is applicable from date of issuance in case of trigger event

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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About ICRA Limited:

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Branches



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