

July 13, 2023

Five-Star Business Finance Limited: Rating withdrawn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| Non-convertible debenture programme – Market linked debenture | 150.00 | 0.00 | PP-MLD[ICRA]AAA(CE) (Stable); withdrawn |
| Non-convertible debenture programme – Market linked debenture | 20.00 | 20.00 | PP-MLD[ICRA]AA-(Stable); outstanding |
| Non-convertible debenture programme | 360.00 | 360.00 | [ICRA]AA- (Stable); outstanding |
| Long-term fund-based term loan | 2,940.00 | 2,940.00 | [ICRA]AA- (Stable); outstanding |
| Long-term fund-based cash credit | 60.00 | 60.00 | [ICRA]AA- (Stable); outstanding |
| Total | 3,530.00 | 3,380.00 | |

Rating Without Explicit Credit Enhancement

[ICRA]AA-

*Instrument details are provided in Annexure-I

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 rating assigned to the principal protected market linked debenture (PP-MLD) programme of Five-Star Business Finance Limited has been withdrawn at the request of the company as the PP-MLDs (Trust name: Dhruva XI 01 2021) have matured and no dues are remaining against the PP-MLDs. the withdrawal of rating is in accordance with ICRA's policy on withdrawal of credit rating.

The key rating drivers, liquidity position, rating sensitivities have not been captured as the rating assigned to the instruments have been withdrawn. The detailed rating rationale of previous rating exercise 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, primarily 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 a typical loan ticket size of Rs. 2-10 lakh and an average ticket size of Rs. 3-3.5 lakh. Its loans are predominantly backed by self-occupied residential properties. As of March 31, 2023, the company had 373 branches across 8 states/Union Territories.

The company was listed on the NSE & BSE in November 2022. As of March 2023, the individual promoters & promoter group (Mr. Lakshmi pathy Deenadayalan and his family) held 18.5% of the stake in the company, being the single largest shareholders.

Key financial indicators (audited)

| Five-Star Business Finance Limited | FY2021 | FY2022 | FY2023 |
|------------------------------------|---------|---------|---------|
| Total income | 1,051.3 | 1,256.2 | 1,528.9 |
| Profit after tax | 359.0 | 453.5 | 603.5 |
| Total managed assets | 5,793.6 | 6,343.1 | 8,702.8 |
| % Gross NPAs | 1.0% | 1.1% | 1.4% |
| % Net NPAs | 0.8% | 0.7% | 0.7% |

Source: company; ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

| Sr. No. | Instrument | Current Rating (FY2024) | | | | Chronology of Rating History for the Past 3 Years | | | | |
|---------|------------|-------------------------|--------------------------|--------------------------------|---|---|-------------------------------|-------------------------------|---|--|
| | | Type | Amount Rated (Rs. crore) | Amount outstanding (Rs. crore) | Date & Rating in FY 2024 | Date & Rating in FY 2023 | Date & Rating in FY2022 | Date & Rating in FY2021 | | |
| | | | | | Jul 13, 2023 | Dec 15, 2022 | Dec 21, 2021 | Feb 8, 2021 | Feb 1, 2021 | |
| 1 | PP-MLD | Long term | 150.0 | Nil | 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) | 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 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-I: Instrument details

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

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

Source: Company

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

Annexure-II: 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

Gaurav Mashalkar

+91 22 6114 3431

gaurav.mashalkar@icraindia.com

Alwin Thankachan

+91 22 6114 3411

alwin.thankachan@icraindia.com

Rushabh Gohel

+91 22 6114 3420

rushabh.gohel@icraindia.com

RELATIONSHIP CONTACT

Mr. L. Shivakumar

+91 22 6114 3406

shivakumar@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

About ICRA Limited:

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ICRA Limited



Registered Office

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

Tel: +91 11 23357940-45



Branches



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