

August 21, 2023

Five-Star Business Finance Limited: Rating withdrawn for PTCs issued under small business loan receivables transaction

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. Crore)	Amount O/s after last surveillance (Rs. Crore)	Amount O/s after Jul-23 payout (Rs. crore)	Rating Action
Northern Arc 2019 SBL Medici	PTC Series A1	99.05	14.10	0.00	[ICRA]AAA(SO); withdrawn

*Instrument details are provided in Annexure I

Rationale

ICRA has withdrawn the rating for pass through certificates (PTCs) issued under small business loan securitisation transaction originated by Five-Star Business Finance Limited (FSBFL; rated [ICRA]AA-(Stable)), as tabulated above. All the payouts to the investors in the above-mentioned instrument 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liquidity position, rating sensitivities have not been captured as the rating assigned to the instrument has been withdrawn. The previous detailed rating rationale of previous rating 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 originator

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 June 30, 2023, the company had 386 branches across 10 states/Union Territories.

The company was listed on the NSE & BSE in November 2022. As of June 2023, the individual promoters & promoter group (Mr. Lakshmiopathy 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	Q1 FY2024
Total income	1,051.3	1,256.2	1,528.9	483.6
PAT	359.0	453.5	603.5	183.7
Total managed assets	5,793.6	6,343.1	8,702.8	8,970.5
Gross NPA	1.0%	1.1%	1.4%	1.4%
Net NPA	0.8%	0.7%	0.7%	0.8%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Sr. no.	Trust Name	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years				
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2023	Date & Rating in FY2022		Date & Rating in FY2021	
					Aug 21, 2023	Aug 23, 2022	Feb 21, 2022	Aug 27, 2021	Aug 14, 2020	
1	Northern Arc 2019 SBL Medici	PTC Series A1	99.05	0.00	[ICRA]AAA(SO); withdrawn	[ICRA]AAA(SO)	[ICRA]AA-(SO)	[ICRA]AA-(SO)	[ICRA]AA-(SO)	

Complexity level of the rated instruments

Trust Name	Instrument	Complexity Indicator
Northern Arc 2019 SBL Medici	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 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 are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

Trust Name	Instrument Type	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Northern Arc 2019 SBL Medici	PTC Series A1	August 2019	11.00%	December 2025	0.00	[ICRA]AAA(SO); withdrawn

*Scheduled maturity at transaction initiation; may change on account of prepayments in the underlying pool

Source: Company

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

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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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