

January 11, 2024

Five-Star Business Finance Limited: Ratings withdrawn for PTCs issued under small business loan securitisation transactions

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. Crore)	Previous Rated Amount (Rs. crore)	Current outstanding Amount (Rs. crore)	Rating Action
Dhruva-XII Northern Arc SBL 03 2021	PTC Series A1(a)	44.55	10.70	0.00	[ICRA]AAA(SO); Withdrawn
Dhruva-VIII AK 12 2020	PTC Series A1	25.00	1.36	0.00	[ICRA]AAA(SO); Withdrawn
Dhruva V Vivriti 12 2020	PTC Series A1	46.02	3.60	0.00	[ICRA]AAA(SO); Withdrawn

*Instrument details are provided in Annexure I

Rationale

ICRA has withdrawn the ratings for pass through certificates (PTCs) issued under three small business loan receivables transactions originated by Five-Star Business Finance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 instruments have been made and no further payments are due to the investors.

The key rating drivers, liquidity position and rating sensitivities have not been captured as the rating assigned to the instruments have been withdrawn.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:

Trust Name	Link
Dhruva-XII Northern Arc SBL 03 2021	Click Here
Dhruva-VIII AK 12 2020	Click Here
Dhruva V Vivriti 12 2020	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 September 30, 2023, the company had 456 branches across 10 states/Union Territories.

The company was listed on the NSE & BSE in November 2022. As of September 2023, the single largest shareholder comprised the individual promoters & promoter group (Mr. Lakshmiopathy Deenadayalan and his family), with an 18.3% stake in the company, on a fully diluted basis.

Key financial indicators (Ind-AS)

Five-Star Business Finance Limited	FY2021	FY2022	FY2023	H1 FY2024
	Audited	Audited	Audited	Provisional
Total income	1,051.3	1,256.2	1,528.9	1,005.9
PAT	359.0	453.5	603.5	383.1
Total managed assets	5,793.6	6,343.1	8,702.8	9,679.7
Gross stage 3	1.0%	1.1%	1.4%	1.4%
Net stage 3	0.8%	0.7%	0.7%	0.7%

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

Trust Name	Instrument	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years						
		Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date and Rating in FY2024		Date and Rating in FY2023		Date and Rating in FY2022		Date and Rating in FY2021
				Jan 11, 2024	Aug 21, 2023	Feb 16, 2023	Feb 21, 2022	Apr 21, 2021 [^]	Mar 26, 2021 [*]	
Dhruva-XII Northern Arc SBL 03 2021	PTC Series A1(a)	44.55	0.00	[ICRA] AAA(SO); withdrawn		[ICRA] AAA(SO)		[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)

* Initial rating assigned

[^] Final rating assigned

Trust Name	Instrument	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years					
		Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date and Rating in FY2024		Date and Rating in FY2023	Date and Rating in FY2022	Date and Rating in FY2021	
				Jan 11, 2024	Aug 21, 2023	Aug 23, 2022	Aug 27, 2021	Feb 12, 2021 [^]	Dec 31, 2020 [*]
Dhruva-VIII AK 12 2020	PTC Series A1	25.00	0.00	[ICRA] AAA(SO); withdrawn	[ICRA]AAA(SO)	[ICRA] AA+(SO)	[ICRA]AA-(SO)	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)

* Initial rating assigned

[^] Final rating assigned

Trust Name	Instrument	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years					
		Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date and Rating in FY2024		Date and Rating in FY2023	Date and Rating in FY2022	Date and Rating in FY2021	
				Jan 11, 2024	Aug 21, 2023	Aug 23, 2022	Aug 27, 2021	Feb 12, 2021 [^]	Dec 31, 2020 [*]
Dhruva V Vivriti 12 2020	PTC Series A1	46.02	0.00	[ICRA] AAA(SO); withdrawn	[ICRA]AAA(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 instrument

Sr. No.	Trust Name	Instrument	Complexity Indicator
1	Dhruva-XII Northern Arc SBL 03 2021	PTC Series A1(a)	Moderately Complex
2	Dhruva-VIII AK 12 2020	PTC Series A1	Moderately Complex
3	Dhruva V Vivriti 12 2020	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
Dhruva-XII Northern Arc SBL 03 2021	PTC Series A1(a)	March 2021	9.00%	February 2027	0.00	[ICRA]AAA(SO); Withdrawn
Dhruva-VIII AK 12 2020	PTC Series A1	December 2020	10.00%	December 2024	0.00	[ICRA]AAA(SO); Withdrawn
Dhruva V Vivriti 12 2020	PTC Series A1	December 2020	10.15%	November 2025	0.00	[ICRA]AAA(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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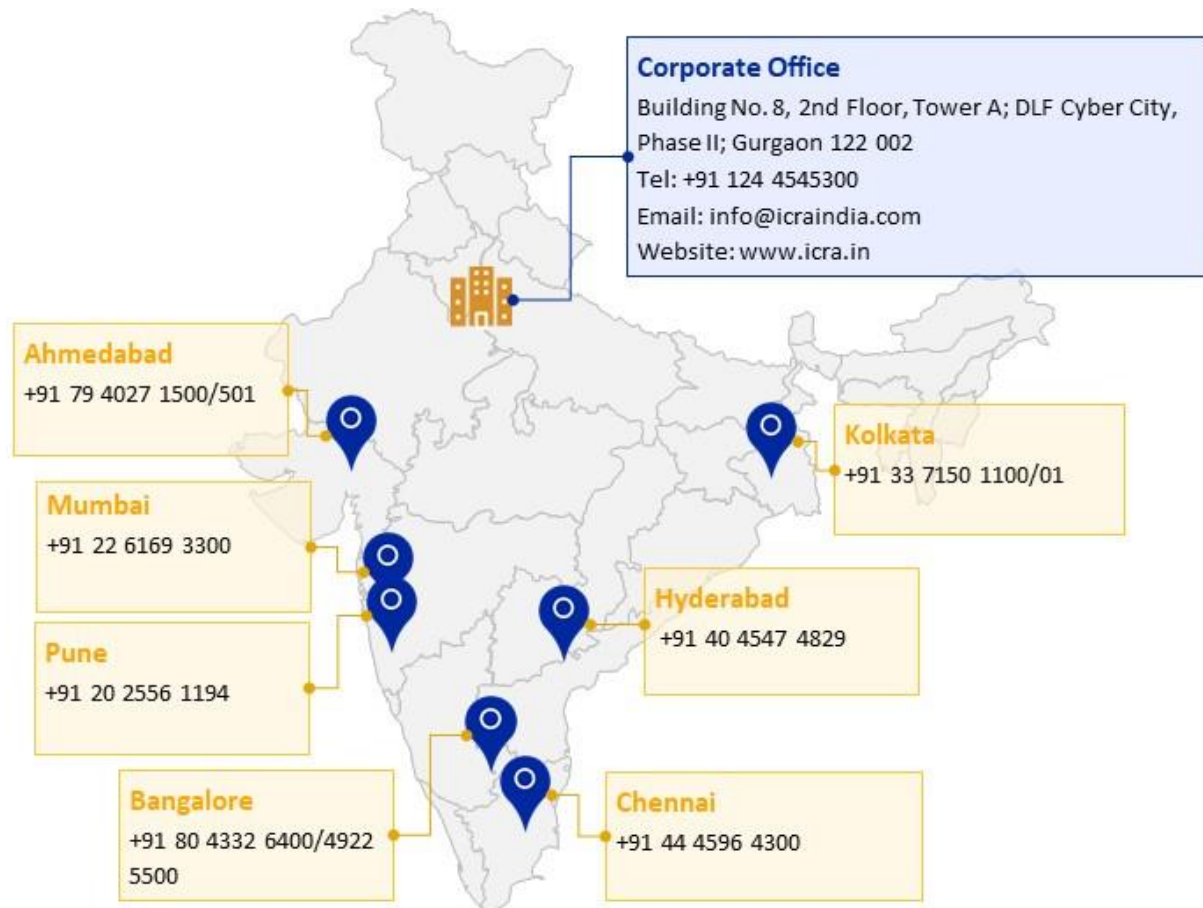
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