

August 22, 2024

Five-Star Business Finance Limited: Rating withdrawn for PTCs issued under small business loan securitisation transaction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
Dhruva-IV 10 2020	PTC Series A1	85.91	16.25	0.00	[ICRA]AA(SO); Withdrawn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ICRA has withdrawn the rating for pass through certificates (PTCs) issued under a small business loan receivables transaction originated by Five-Star Business Finance Limited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 has 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liquidity position and rating sensitivities have not been captured as the rating assigned to the instruments have been withdrawn.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 this [link](#).

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, 2024, the company had 547 branches across 10 states/Union Territories.

The company was listed on the NSE & BSE in November 2022. As of June 30, 2024, the single largest shareholder comprised the individual promoters & promoter group (Mr. Lakshmi pathy Deenadayalan and his family), with an 18.3% stake in the company, on a fully-diluted basis.

Key financial indicators

Five-Star Business Finance Limited	FY2023	FY2024	Q1 FY2025
	Audited	Audited	Provisional
Total income (Rs. crore)	1,528.9	2,195.1	669.4
PAT (Rs. crore)	603.5	835.9	251.6
Total managed assets (Rs. crore)	8,702.8	11,688.8	12,395.2
Gross NPA (%)	1.4%	1.4%	1.4%
CRAR	67.2%	50.5%	48.4%

Source: Company, ICRA Research; All ratios as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years			
		Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date and Rating	Date and Rating in FY2024	Date and Rating in FY2023	Date and Rating in FY2022
				Aug 22, 2024	Aug 21, 2023	Aug 23, 2022	Aug 27, 2021
Dhruva-IV 10 2020	PTC Series A1	85.91	0.00	[ICRA] AA(SO); withdrawn	[ICRA] AA(SO)	[ICRA] AA(SO)	[ICRA]AA-(SO)

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Dhruva-IV 10 2020	PTC Series A1	Simple

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	Current Amount Rated (Rs. crore)	Rating
Dhruva-IV 10 2020	PTC Series A1	October 2020	10.00%	April 2025	0.00	[ICRA]AA(SO); Withdrawn

Source: Company;

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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