



Business Finance Limited

Date: October 31, 2023

The National Stock Exchange of India Limited,
Exchange Plaza,
Bandra-Kurla Complex,
Bandra (E), Mumbai 400 051
Symbol: FIVESTAR

BSE Limited
Listing department,
First floor, PJ Towers,
Dalal Street, Fort Mumbai 400 001
Scrip code: 543663

Sub: Investor Presentation on the Financial Results for the quarter and half year ended September 30, 2023

Dear Sir/ Madam

In terms of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith a copy of the Investor Presentation of the Company on the financial results for the quarter and half-year ended September 30, 2023.

This Investor Presentation is also available on the website of the Company at <https://fivestargroup.in/investors/>

Kindly take the above on record.

For Five-Star Business Finance Limited

Shalini Baskaran
Company Secretary & Compliance Officer

Five-Star Business Finance Limited

Registered Office : New No. 27, Old No. 4, Taylor's Road, Kilpauk, Chennai - 600 010.
Phone : 044 - 4610 6200, e-mail : info@fivestargroup.in, Website : www.fivestargroup.in
CIN : L65991TN1984PLC010844



Five-Star Business Finance Limited

Investor Presentation

Q2 FY2024

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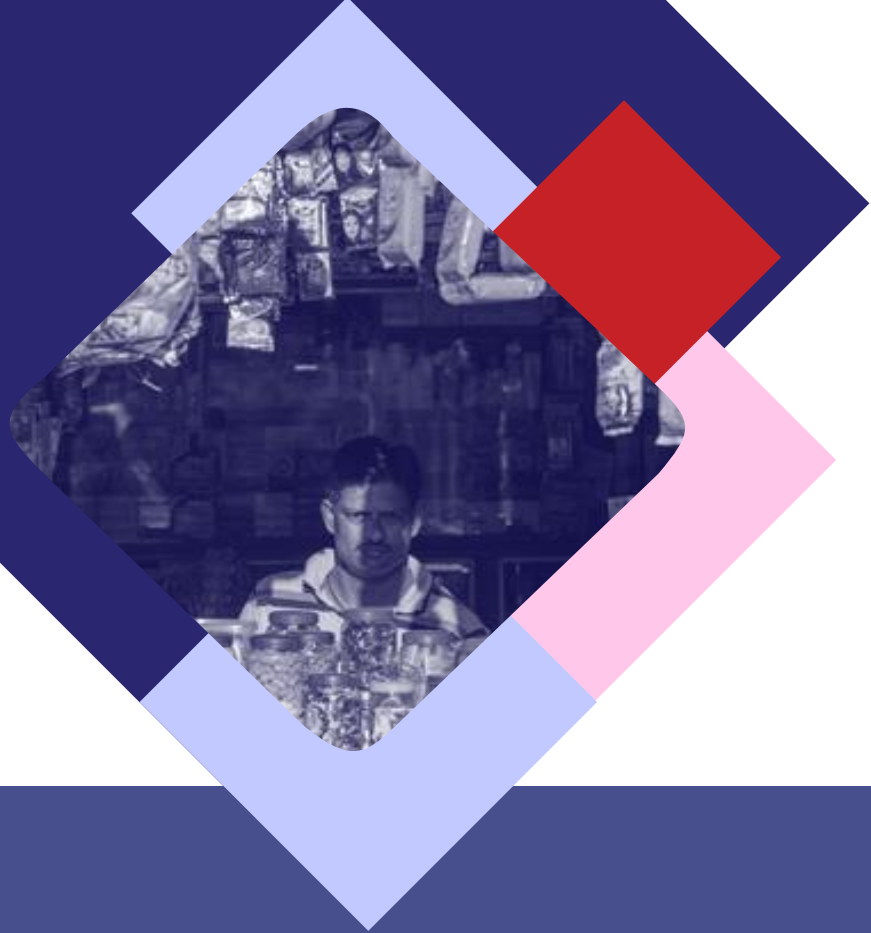
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Section 2
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Section 3
Executive Summary

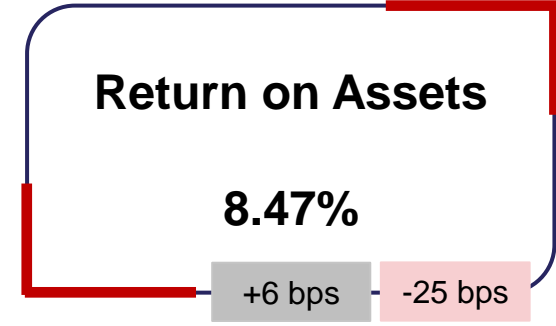
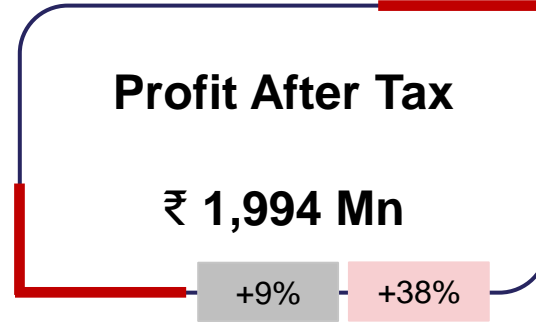
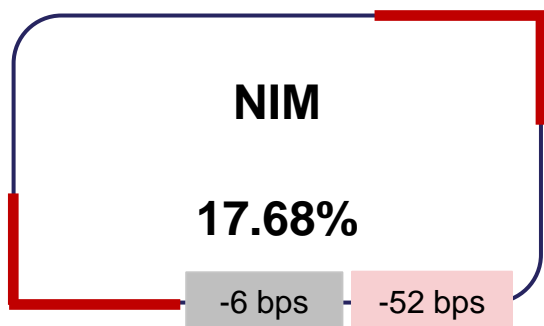
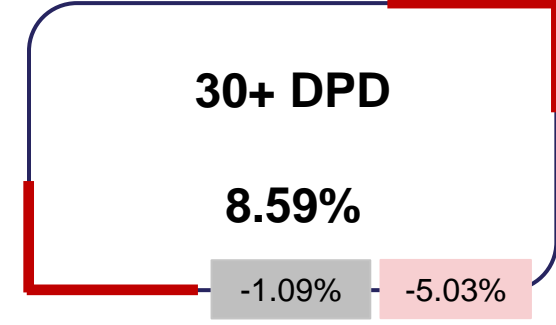
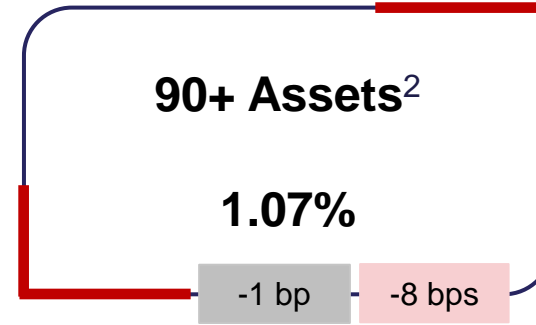
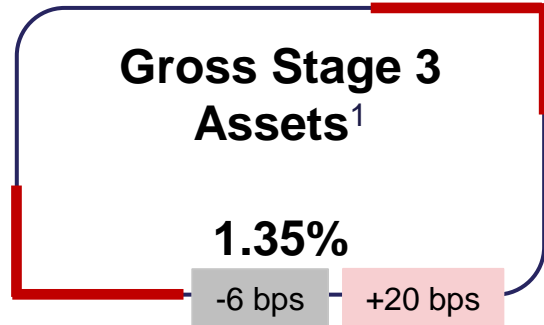
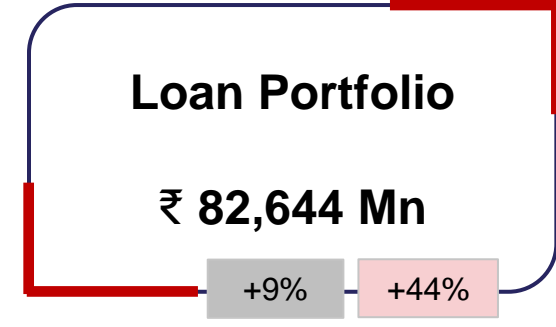
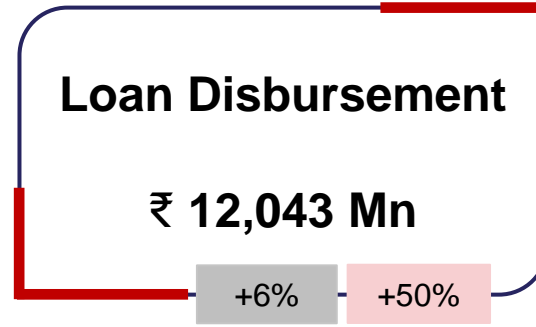
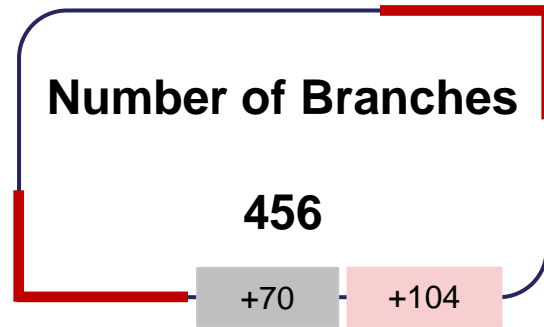
Section 4
*Financial Performance, Asset
Quality & ECL*

Section 5
Liability & ALM



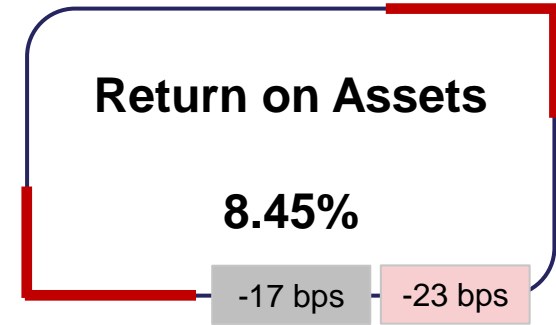
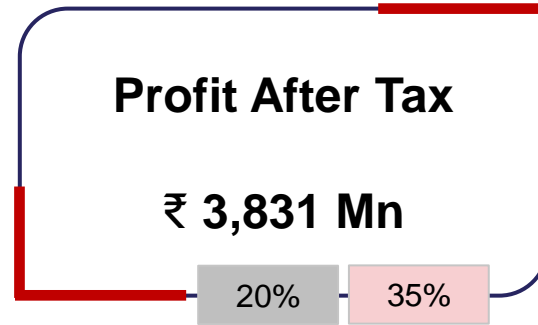
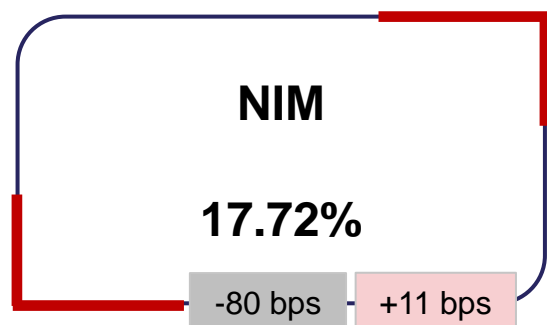
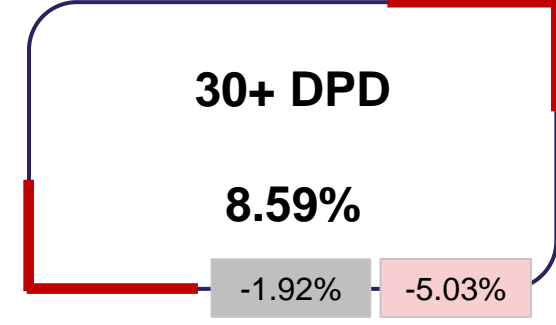
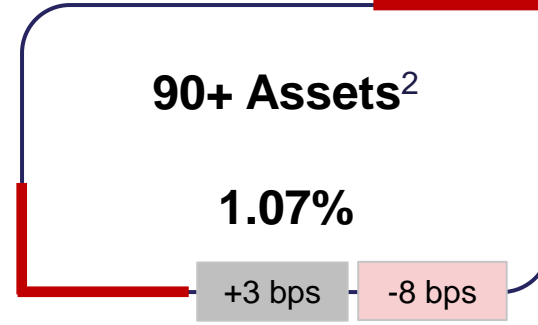
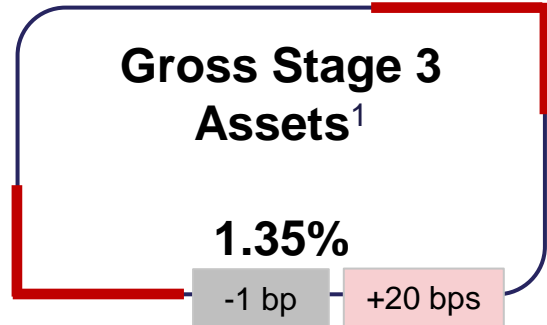
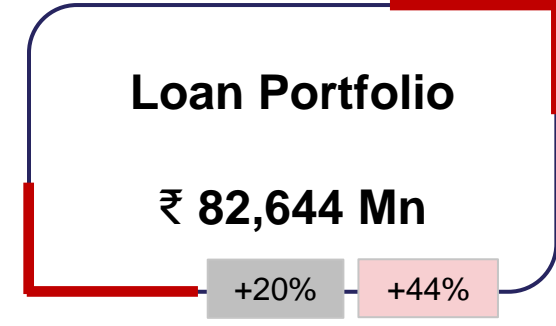
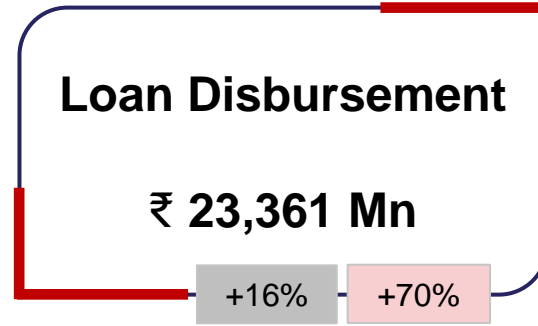
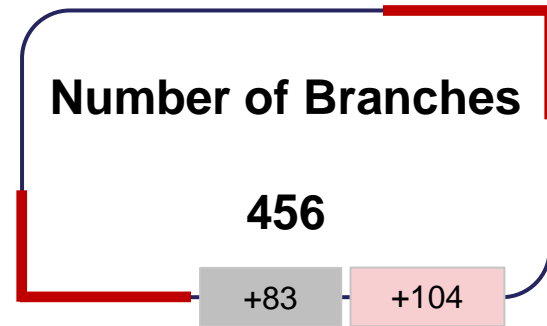
Section 1

Business Highlights



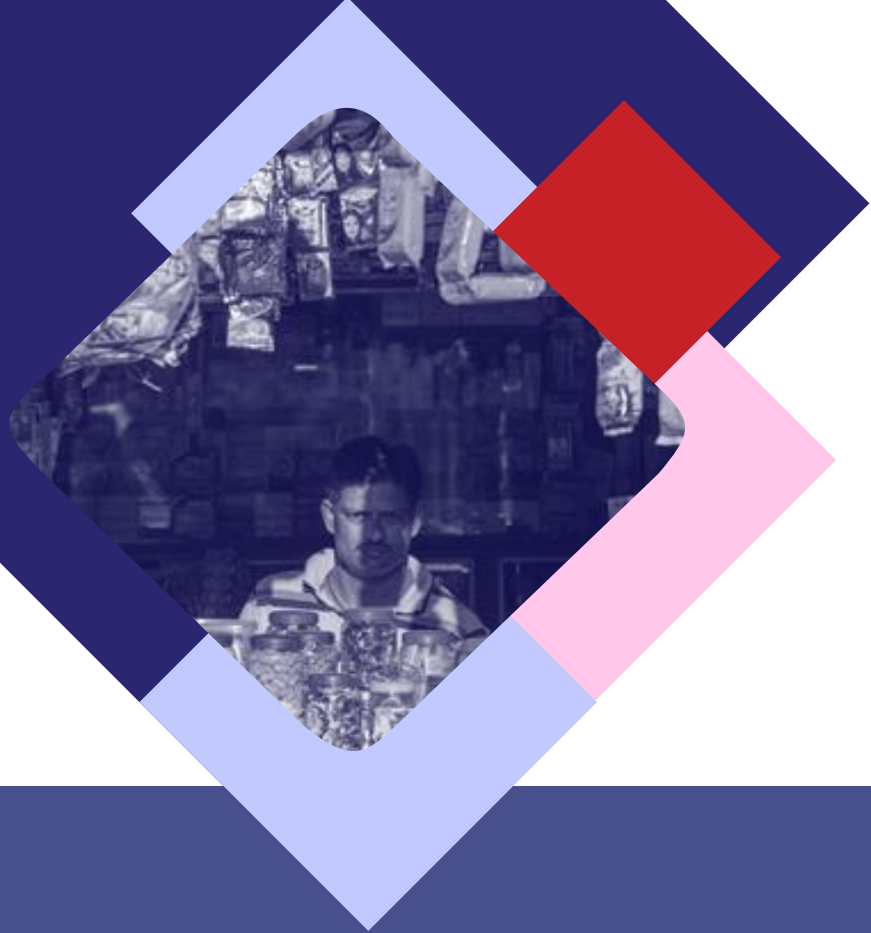
q-o-q y-o-y

Notes: 1. Gross Stage 3 Assets computed as per guidelines stipulated by RBI vide their circulars on Prudential Norms on Income recognition and Asset classification dated Nov 12, 2021 and Feb 15, 2022 (wherein implementation of upgradation norms were deferred to October 1, 2022) i.e loans that have crossed 90 days past due any time since October 1, 2022 and not cleared their arrears fully, expressed as a % of AUM; 2. 90+ assets refer to loans which are overdue for more than 90 days as on the last day of the reporting period



vs H2FY2023 vs H1FY2023

Notes: 1. Gross Stage 3 Assets computed as per guidelines stipulated by RBI vide their circulars on Prudential Norms on Income recognition and Asset classification dated Nov 12, 2021 and Feb 15, 2022 (wherein implementation of upgradation norms were deferred to October 1, 2022) i.e loans that have crossed 90 days past due any time since October 1, 2022 and not cleared their arrears fully, expressed as a % of AUM; 2. 90+ assets refer to loans which are overdue for more than 90 days as on the last day of the reporting period



Section 2

Company Overview

NBFC providing secured financial solutions to Small Business customers and Self-employed Individuals who are largely cut-off from formal lending ecosystem



456 branches

9 States + 1 UT

3.4 lakh loans

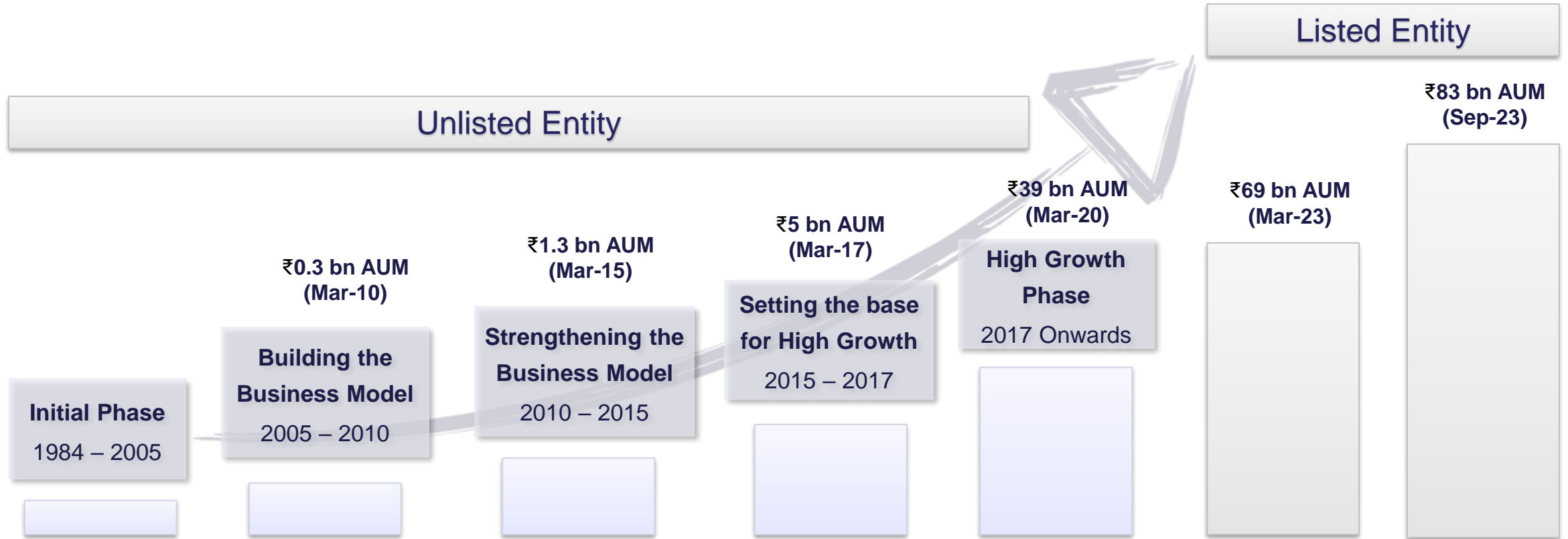
8,261 employees

Registered as NBFC-ND-SI with
the Reserve Bank of India

2 decades of lending to Small
Business Loan customers

Proprietary Underwriting &
Collections model fine-tuned
over 2 decades of experience

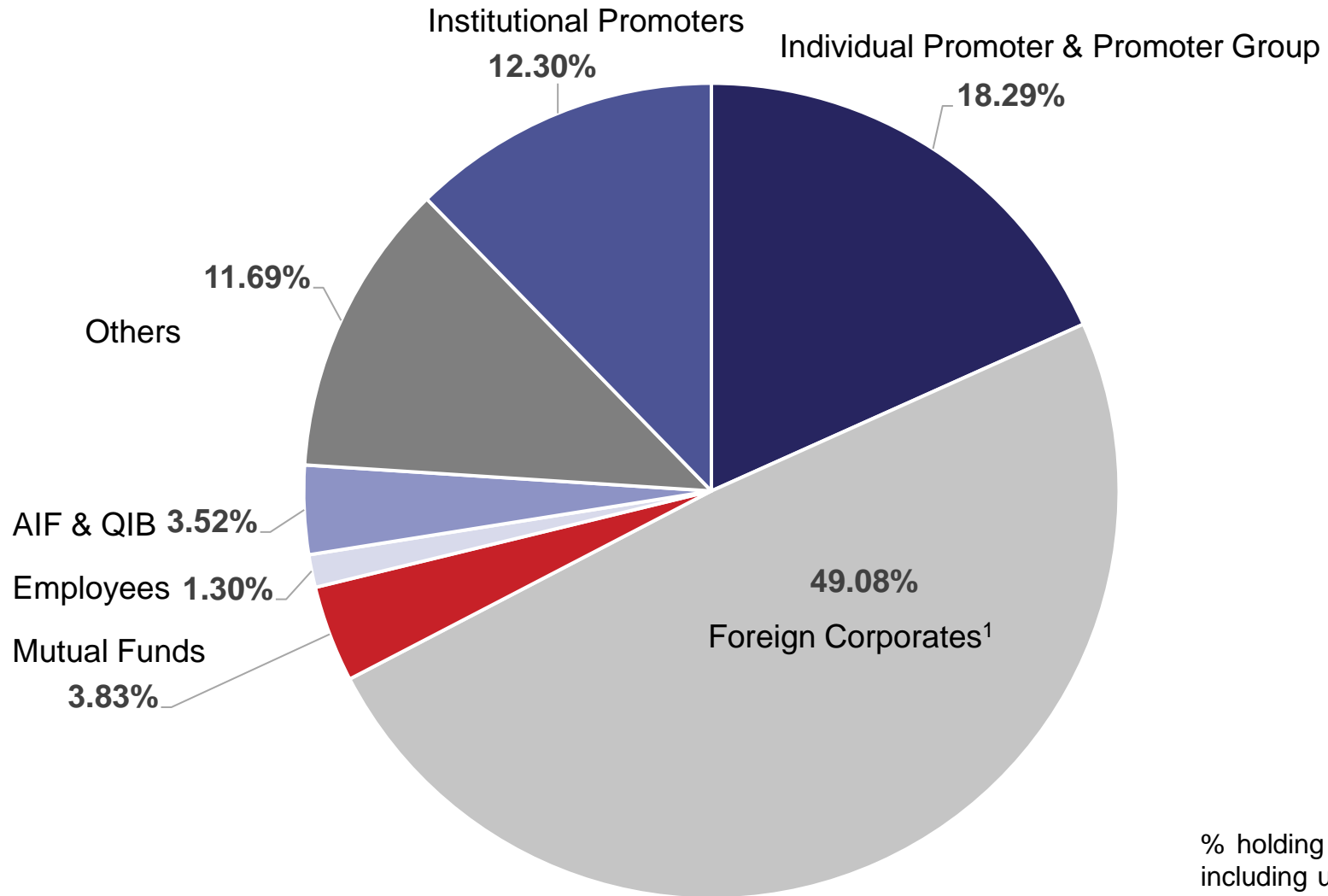
- ★ Built to take advantage of the large addressable market and credit gap
- ★ Deep understanding of customer behavior; strong knowledge of the local market and regional dynamics
- ★ Success and growth of Five-Star are outcomes of the last two decades of operating in the segment
- ★ Recognized market potential well ahead of time
- ★ Proven track record to access capital with a well thought strategy; strong investments in professional team



Strong Growth trajectory over the last 39 years of operations

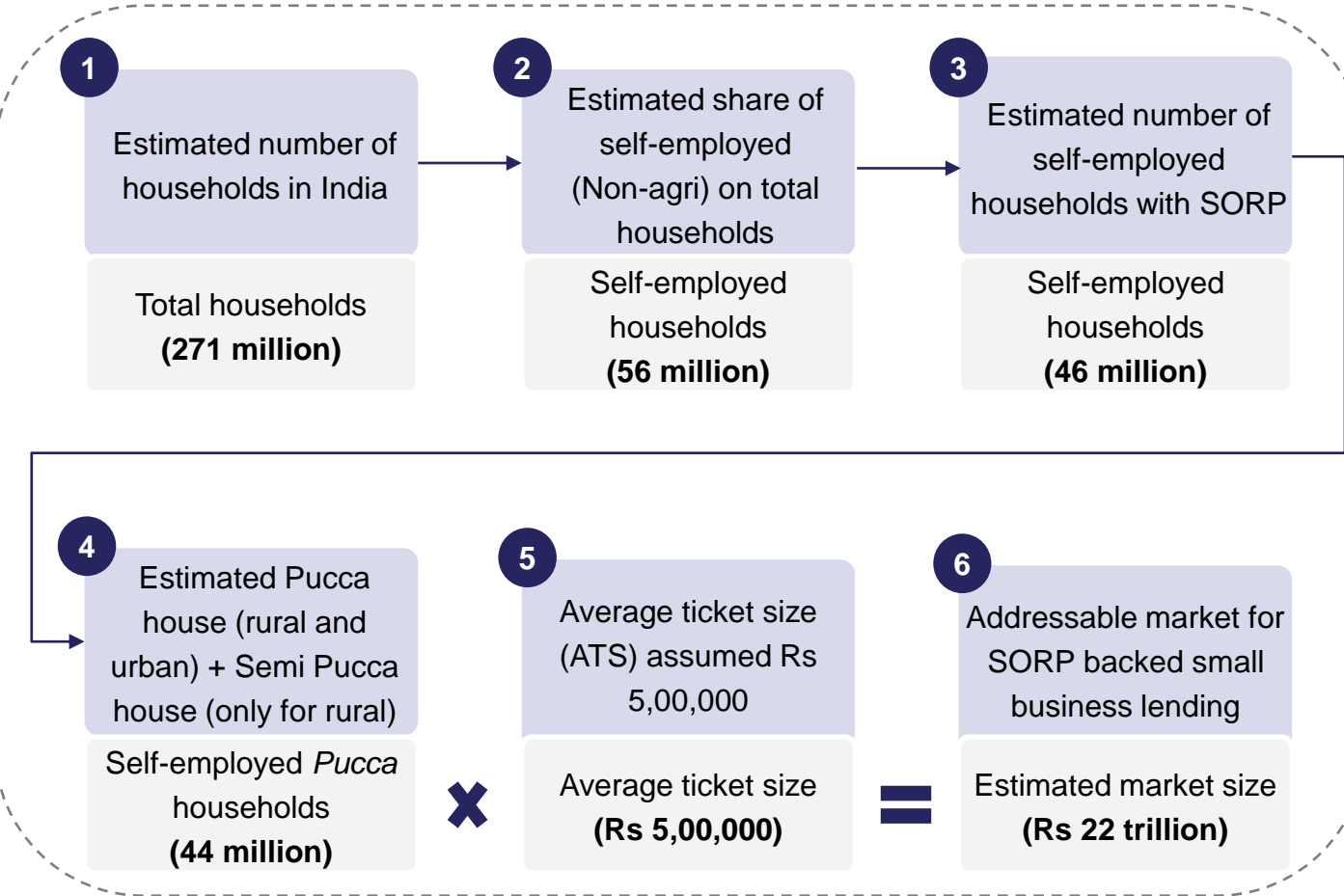
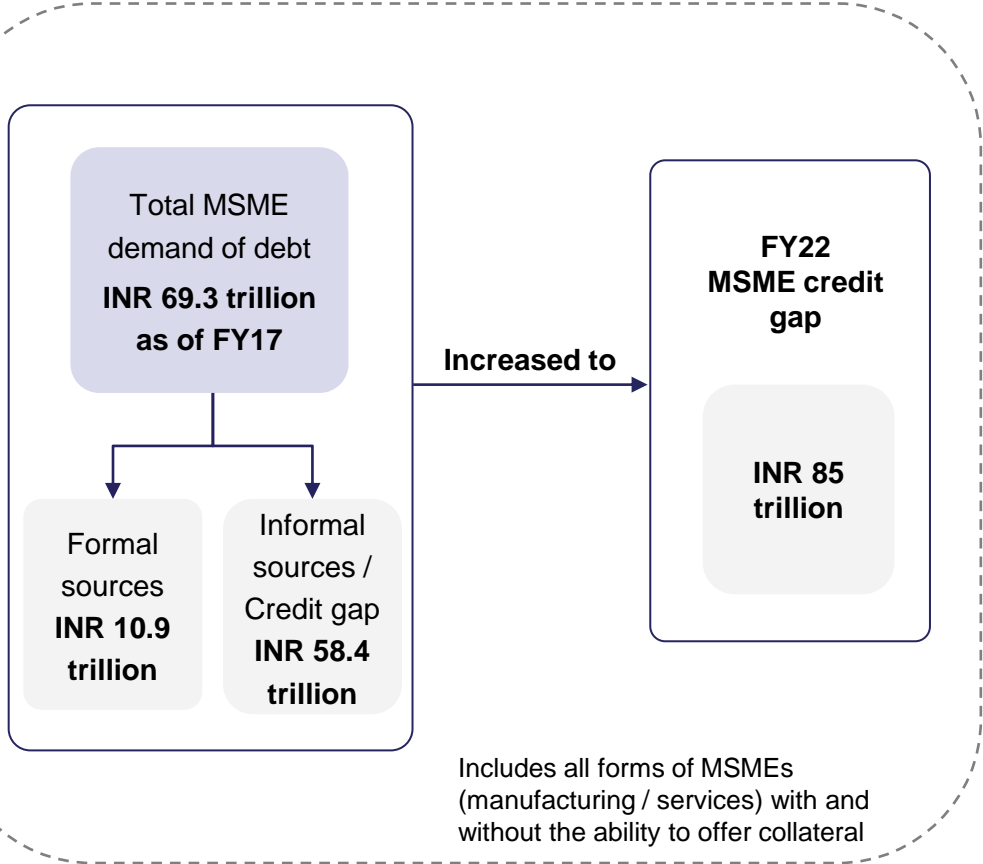
	FY15		FY23
Number of Branches	39	~10x	373
Loans to borrowers ('000)	5	~60x	294
Relationship Officers	59	~70x	4,003 ¹
Disbursements (₹ Mn) p.a.	793	>40x	33,914
Assets Under Management (AUM) (₹ Mn)	1,315	>50x	69,148
Total Income (₹ Mn)	336	>45x	15,289
Profit After Tax (₹ Mn)	99	>60x	6,035
Net Worth (₹ Mn)	713	>60x	43,395
Gross Stage 3 Assets	1.81% ²		1.36% ³

Five Star has grown >50x in AUM between FY15A - FY23A with the same ticket size on the back of a 10x growth in branch network across economic cycles and significantly stressful periods like COVID-1 and COVID-2



% holding computed on a fully diluted basis, including ungranted, unvested and vested but unexercised options

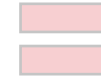
Overall MSME Credit Gap → **Target Addressable Market for Five Star**



Large Market Opportunity
INR 22 Trillion¹



Strong Infrastructure of Five Star
Physical infra (456 branches) &
Human infra (8,261 employees)



Ability to Demonstrate 35%+ Growth
Potential for strong growth in the years
to come



Growth Level 1

Increased branch network & penetration – Proven ability to open at least 50 – 60 branches every year



Growth Level 2






















Increased FOS even in the existing branch networks – Proven ability to increase average number of FOS in the existing branches



Growth Level 3

Increase in Average Ticket Size – ATS around 3 - 3.5 lakhs for the last many years; targeting inflationary increases in the years to come

Challenges in Lending to Small Business Customers & Self-Employed individuals

Institutionalized Lenders - Key Underwriting Parameters	Medium Enterprises	Small Enterprises	Small Business Owners and Self Employed Customers
Verifiable income stream	 Assessed from formal contracts since predominantly B2B clients	 Typically assessed from VAT, sales tax, service tax records	 Predominantly backed by informal/ kaccha documents, daily noting
Formal documentation	 Formal & structured – records of IT returns available	 Semi-formal – Have banking habit to the extent of business transactions	 Highly Informal –Have minimal banking habits
Extent of ‘on the ground presence’ required	 Presence of formal, verifiable documents reduces requirement	 Moderate level of physical verification required	 Ability to conduct physical verifications essential
Credit history	 Well documented	 Moderate level of documentation	 Nil or negligible credit history for medium / high ticket loans
Credit discipline	 Low variance – usually high discipline	 Moderate variance – on average high discipline	 High variance in segment with both high & low credit discipline observable
Ability to offer collateral	 Significant business assets to offer as collateral	 Moderate ability to offer business collateral	 Negligible business collateral – ability to offer personal collateral varies
Assessment of collateral	 Simple to assess with supporting documentation	 Moderate – with some supporting documents available	 Complex with ability to carry out ecosystem checks required

Inability to verify income, lack of credit history & varying ability to offer collateral make profitable operation difficult for traditional financiers



Simple to Assess



Moderately Simple to Assess



Complex to Assess



Highly Complex to Assess/ Low

Customers targeted by Five Star

Customers from semi-urban and fast-growing rural geographies

Customers with income derived from 'every day' services

100% of loans backed by collateral

Mandatory family co applicants, usually spouse and offspring

Rationale for customer selection

→ Good potential & easier reach; fewer legal issues on collateral

→ Resilience to business cycles & macro events

→ Self-occupied property and thereby high customer equity

→ Social pressure to service the loan without delays



Five Star's capabilities

- Credit appraisal of informal income with minimum documentation
- On the ground' presence - ability to conduct physical verifications
- Ability to utilize ecosystem checks as proxies for formal records in databases

Five Star operates profitably with strong portfolio quality (in the company's customer segment) by carefully selecting customers that 'fit' its assessment capabilities

Deep Understanding of Customer Segment & Conservative Lending Practices

20 years of operations
ATS of ~ 3-5 lakhs
Conservative DBR / LTV norms

Compelling Economics & Best in Class Return Metrics

Yields of ~24%; Spreads of ~12-13%
Industry leading ROA at >8% with ROE at ~15%

Industry Leading Asset Quality

Gross Stage 3 Assets of < 1.5%
Net Stage 3 Assets of <1%
even on a steady-state basis

Well Capitalized & Low Leverage

Current D/E of ~1x
Can target a strong AUM growth trajectory at 3-3.5x leverage

Strong Board & Experienced Management Team

Board with significant industry experience
Experienced Management team of 21 members

High Governance Focus

Statutory Auditor – S.R.Batlboi & Associates
LLP
Internal Auditor – Sundaram & Srinivasan
Independent Directors heading Audit Committee,
Risk Management Committee, Nomination &
Remuneration Committee, IT Strategy
Committee

Customer Selection

- Lending to the same segment for 35+ years
- Seen customer behaviour across cycles
- 100% in-house sourcing
- Strong focus on Tier 3 to Tier 6 cities



Typical Customer Profile

- Small business owners and self-employed individuals
- Everyday cash and carry businesses with bias towards services
- Family's collective loan decisioning
- Typical family cashflows (gross) ~ ₹ 25,000 to ₹ 40,000 per month and typical collateral value of ₹1 Mn (land and building)

Product Offering

- 100% of the book backed by a hard collateral, of which ~95% is SORP
- Average LTV and DBR¹ of ~50% at the time of sanction
- EMI typically of 7-10 days of borrowers' family cashflows (gross)



Typical Product Features

- Loans provided for business expansion, home renovation / improvement and other mortgage purposes (marriage, education, emergency etc)
- Typical ticket sizes between ₹ 0.1 Mn to ₹1 Mn
- IRR of ~24%-26% with loan tenure of 2 to 7 years



Shops / small businesses are typically the last to get hit in an economic cycle, and the first to bounce back

Customer centric model underpinned by calibrated sourcing and distribution strategy and robust underwriting and collections practices

Customer centric business model



Product

- Term Loan with average tenure of 5-7 years
- Interest rate range of 24%-26%
- Loans for business, asset creation and other economic purposes
- Fully secured by property, ~95% being SORP



Well-diversified Presence

- Primary States: Tamil Nadu, AP, Telangana, Karnataka, Madhya Pradesh
- Other States / UT: Maharashtra, Chhattisgarh, UP, Rajasthan, Pondicherry
- 456 branches; 8,261 employees
- Contiguous expansion. Cautious approach to newer states

Comprehensive credit assessment and robust risk management



Sourcing and Underwriting

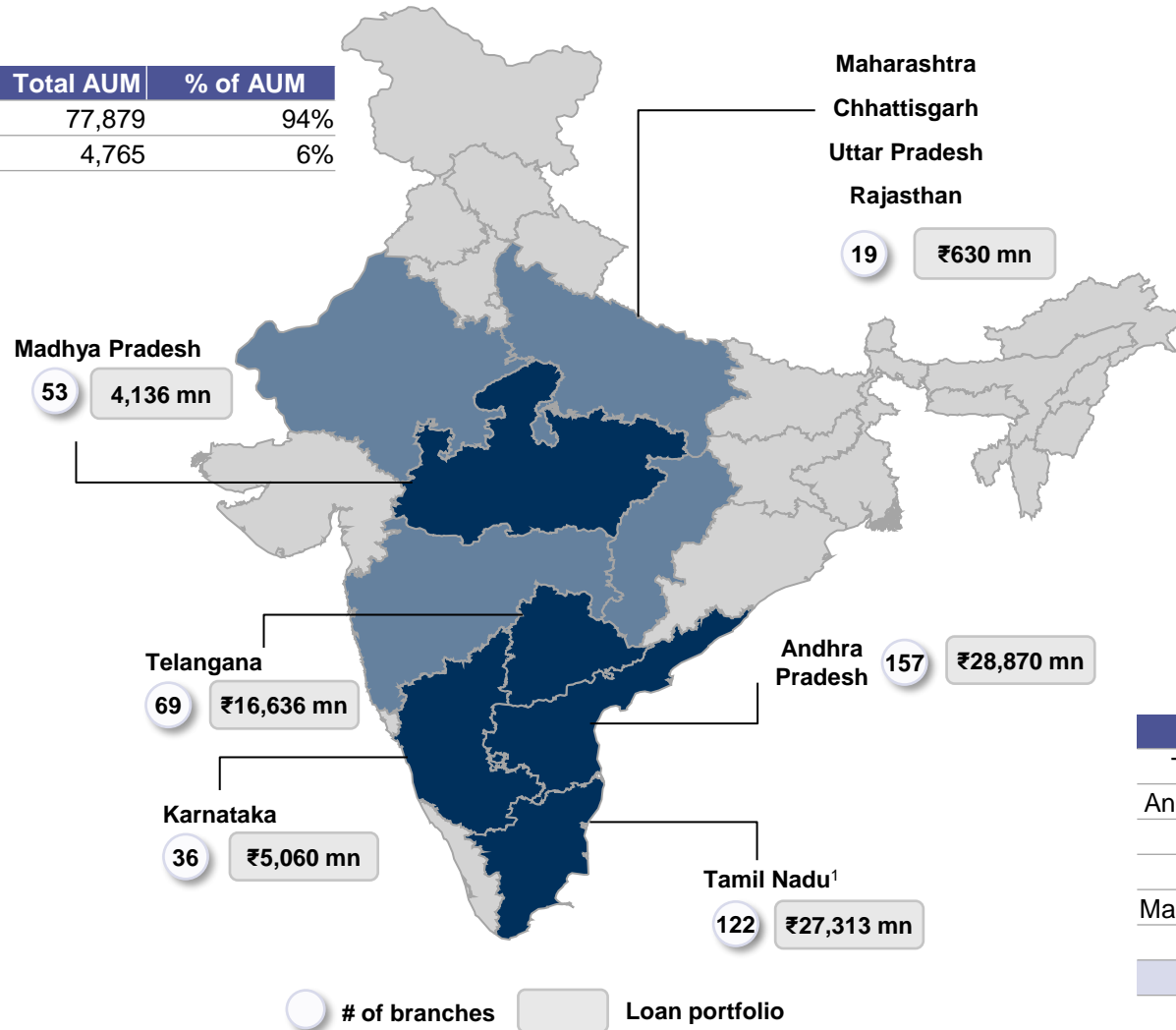
- 100% in-house sourcing and processing with focus on service-oriented business
- Assessment based on 3 Cs (Character, Cash flow and Collateral)
- Two levels of check each in business and in credit; conservative credit policies
- Assignment of co-applicants – Loans to the family and not individuals



Collections

- Strong on-ground collection infrastructure and supervisory follow up to cater to new to formal credit customer segment
- Relatively higher softer delinquencies; consistently low on 90+ DPD
- <2% IRR loss on majority of settled loans which were 90+ DPD on settlement¹

Geography	# branches	Total AUM	% of AUM
South India	384	77,879	94%
Rest of India	72	4,765	6%



Vintage-wise average AUM per branch (as of September 2023)

Branch Vintage	No of branches	Average AUM
<=1 year	104	27
1 – 3 years	91	119
3 – 5 years	107	203
5 – 7 years	80	301
>7 years	74	313
Total	456	181

Cluster strategy adopted, on a need basis, to facilitate growth in matured branches (explained in the following slides)

State-wise portfolio break-up

State	No of branches	Q2FY2024	FY2023	FY2022	FY2021	FY2020
Tamil Nadu	122	33%	35%	39%	41%	43%
Andhra Pradesh	157	35%	33%	29%	28%	28%
Telangana	69	20%	20%	19%	18%	19%
Karnataka	36	6%	7%	7%	7%	7%
Madhya Pradesh	53	5%	5%	5%	4%	3%
Others	19	1%	1%	1%	1%	1%
Total	456					

Strong South India presence coupled with clear aim to expand in non-South in the next few years

A key component of Distribution Strategy is following a Cluster approach to growth. This is achieved through...

Taking advantage of the market opportunity

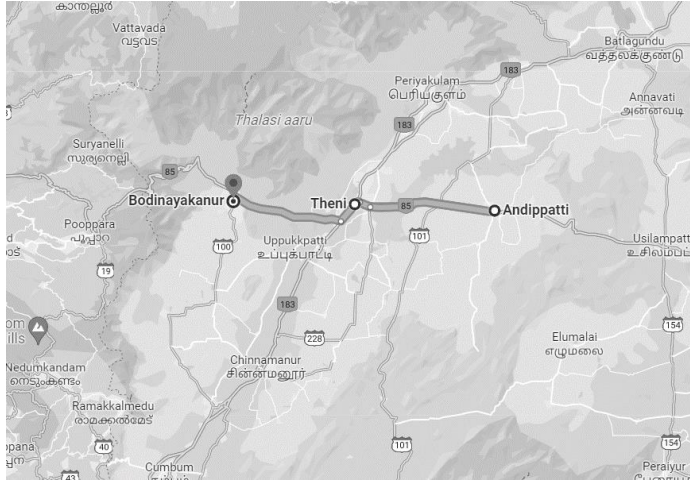
- When a branch reaches a reasonable size threshold (typically about 500 - 1,000 accounts), an evaluation is made, if it is worthwhile to open new branches in the region/ cluster to take advantage of the market opportunity

Following a Cluster Approach to expansion and growth

- If the market opportunity is available, more branches are opened in the same cluster
- Where possible, a set of accounts is transferred from the existing branch to the newer branches that are opened
- The approach to growth is then cluster led and not branch led

Advantages of transferring accounts from the older branch to a new branch

- Customer convenience – The newly opened branch would be nearer to the customer location than before
- Risk Management – Avoiding single branch dependency/ failure in case of potential issues at a particular location
- Comprehensive growth – With lesser burden of collections, the older branch charts on a continued growth path. The newer branches help additional growth at cluster level



Parent Branch:

Theni (Opened in Aug 2014)

Child Branches:

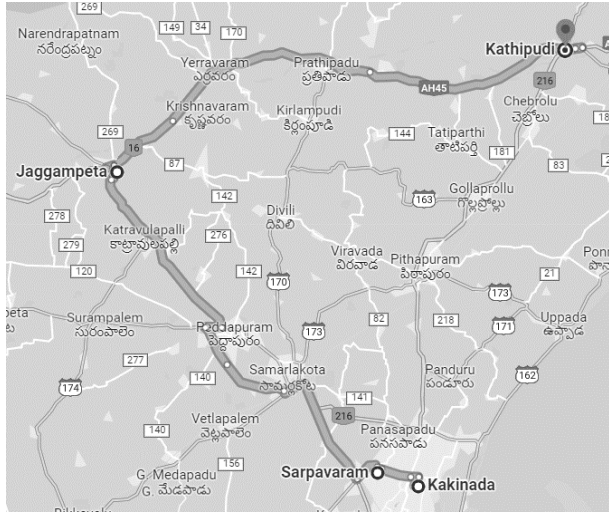
1. Bodinayakkanur (Bodi)
2. Andipatti

1. **Bodinayakkanur:** 16 KM from Theni. Opened in Jul 2018. 18 accounts got transferred from Theni to Bodinayakkanur on the day of opening.
2. **Andipatti:** 16 KM from Theni. Opened in Sep 2022. 300 accounts got transferred from Theni to Andipatti on the day of branch opening.

Date	Theni	Bodi	Andipatti	Theni Cluster
Aug 2014	-	-	-	-
Jul 2018	523	-	-	523
Jul 2018 (After transfer to Bodi)	505	18	-	523
Sep 2022	1,638	1,059	-	2,697
Sep 2022 (After transfer to Andipatti)	1,338	1,059	300	2,697
Sep 2023 (Accounts)	1,714	1,440	547	3,701
Sep 2023 (Portfolio in ₹ Mn)	372	330	125	827

*Standalone Theni Branch has only 1,714 accounts with a portfolio of ₹372 Mn
However, Theni cluster has grown to 3,701 accounts with a total portfolio of ₹827 Mn.*

Cluster Strategy Illustration – Kakinada Cluster (Andhra Pradesh)



Parent Branch:

Kakinada
(Opened in Jul 2016)

Child Branches:

1. Jaggampeta
2. Kathipudi
3. Sarpavaram

1. **Jaggampeta:** 52 KM from Kakinada. Opened in Oct 2020. 340 accounts got transferred from Kakinada to Jaggampeta on the day of opening.
2. **Kathipudi:** 35 KM from Kakinada. Opened in Jan 2022. 168 accounts got transferred from Kakinada to Kathipudi on the day of branch opening.
3. **Sarpavaram:** 5 KM from Kakinada. Opened in Sep 2022. 524 accounts got transferred from Kakinada to Sarpavaram on the day of branch opening.

Date	Kakinada	Jaggampeta	Kathipudi	Sarpavaram	Kakinada Cluster
Jul 2016	-	-	-	-	-
Oct 2020	1,621	-	-	-	1,621
Oct 2020 (after transfer to Jaggampeta)	1,281	340	-	-	1,621
Jan 2022	1,665	606	-	-	2,271
Jan 2022 (after transfer to Kathipudi)	1,497	606	168	-	2,271
Sep 2022	2,068	931	171	-	3,170
Sep 2022 (after transfer to Sarpavaram)	1,544	931	171	524	3,170
Sep 2023 (Accounts)	1,994	1,555	752	780	5,081
Sep 2023 (Portfolio in ₹ Mn)	555	398	223	217	1,392

Standalone Kakinada Branch has only 1,994 accounts with a portfolio of ₹555 Mn However, Kakinada cluster has grown to 5,081 accounts with a total portfolio of ₹1,392 Mn.

Robust investments in technology to efficiently manage the lending process, increase productivity and decrease costs

Till FY2017

- Manual underwriting process with minimal technology involvement

FY2017 till FY 2022

- Significant investments in technology over the last 5 years
- Moved to FinnOne Neo (ERP solution) with automated workflow and rule engine configuration
- Moved to a completely paperless underwriting model with all data available on cloud

From FY 2023

- Strengthened the senior management team for IT and augmented the team to 43 IT personnel as on date
- Total IT spend (capex + opex, ex-HC) for FY23 and H1FY24 was ₹193 mn and ₹222 mn respectively
- Focus on strategic projects on embarking into new Loan Origination System, HRMS, Collections Module and Customer Scoring Model

Ongoing Investments to help build a scalable and efficient model...



API infrastructure to leverage strengths of third-party service providers / fintechs



Data analytics and machine learning



Robust customer credit scoring model

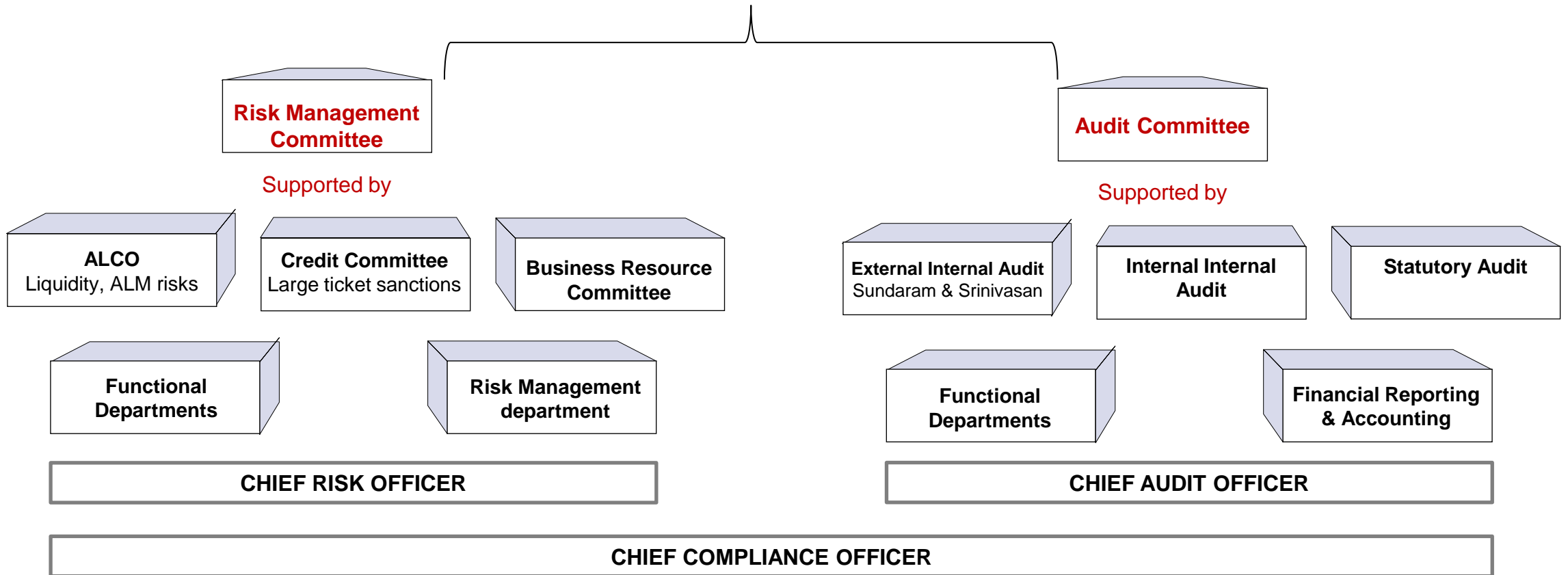
...to lead to a reduction in turnaround time from login to loan sanction

Utilizing technology for processing of loan applications and analysing credit risks

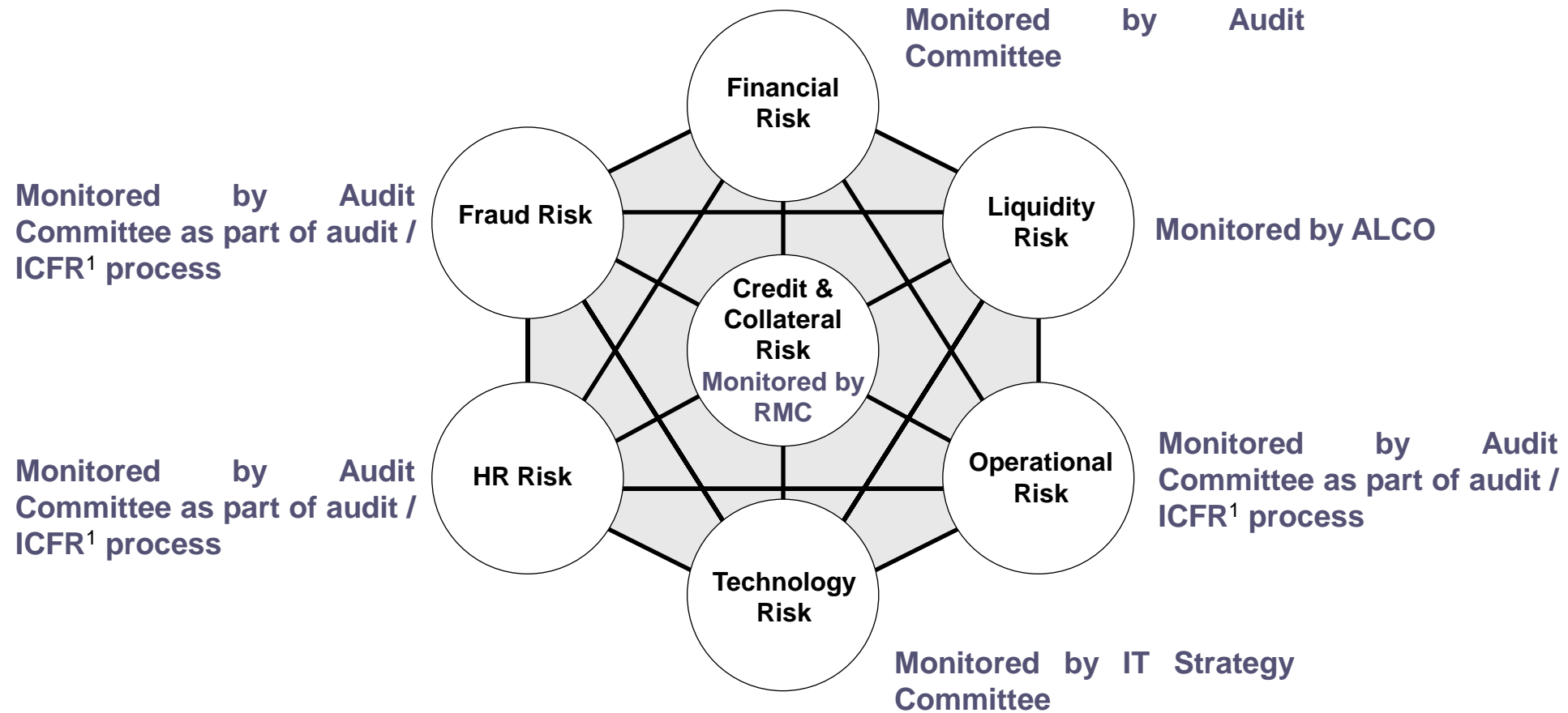
Faster decision making

Better customer service and engagement and faster turnaround time

Board of Directors



Robust Risk Management Architecture with strong oversight at various levels



All the risks are monitored by Board Committees / as part of the Audit processes

Non-Operational risks like Compliance risk, Reputation risk are monitored by the Board

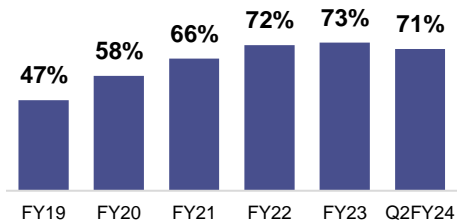
Sustainable Business Model Built Around Societal Impact



Financial Inclusion

- Caters to the underserved market of small business loans
- Meets demand which is majorly catered by informal sources
- Employment opportunities in semi-urban and rural areas
- Focus on hiring local talent

Majority of AUM from LIG



- ✓ Provides business loans
- ✓ Lower interest rate

Economic upliftment

Corporate Social Responsibility

- CSR Committee is focused on improving education, health and livelihood

Social Impact achieved through...

Branch Presence

- Significant branch presence in Tier 3 to Tier 6 towns

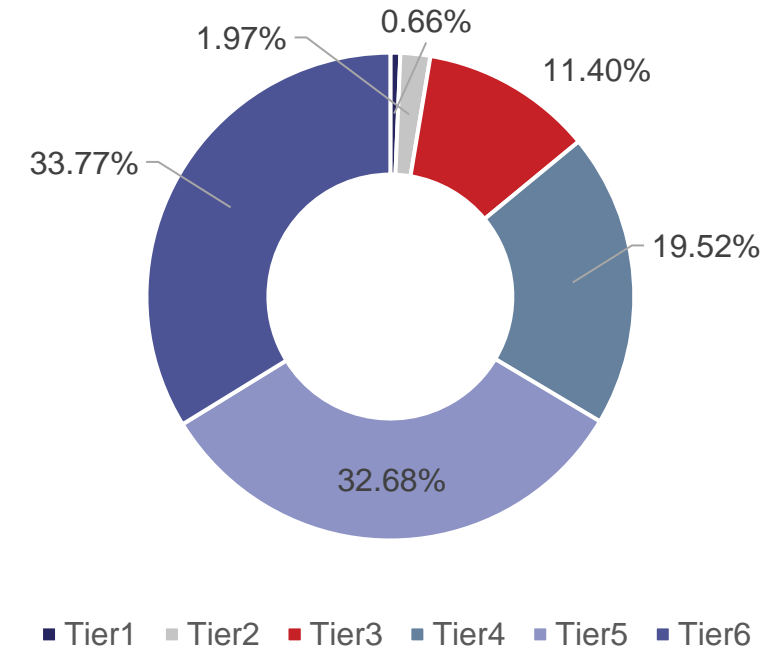
Customers ignored by banks / larger FIs

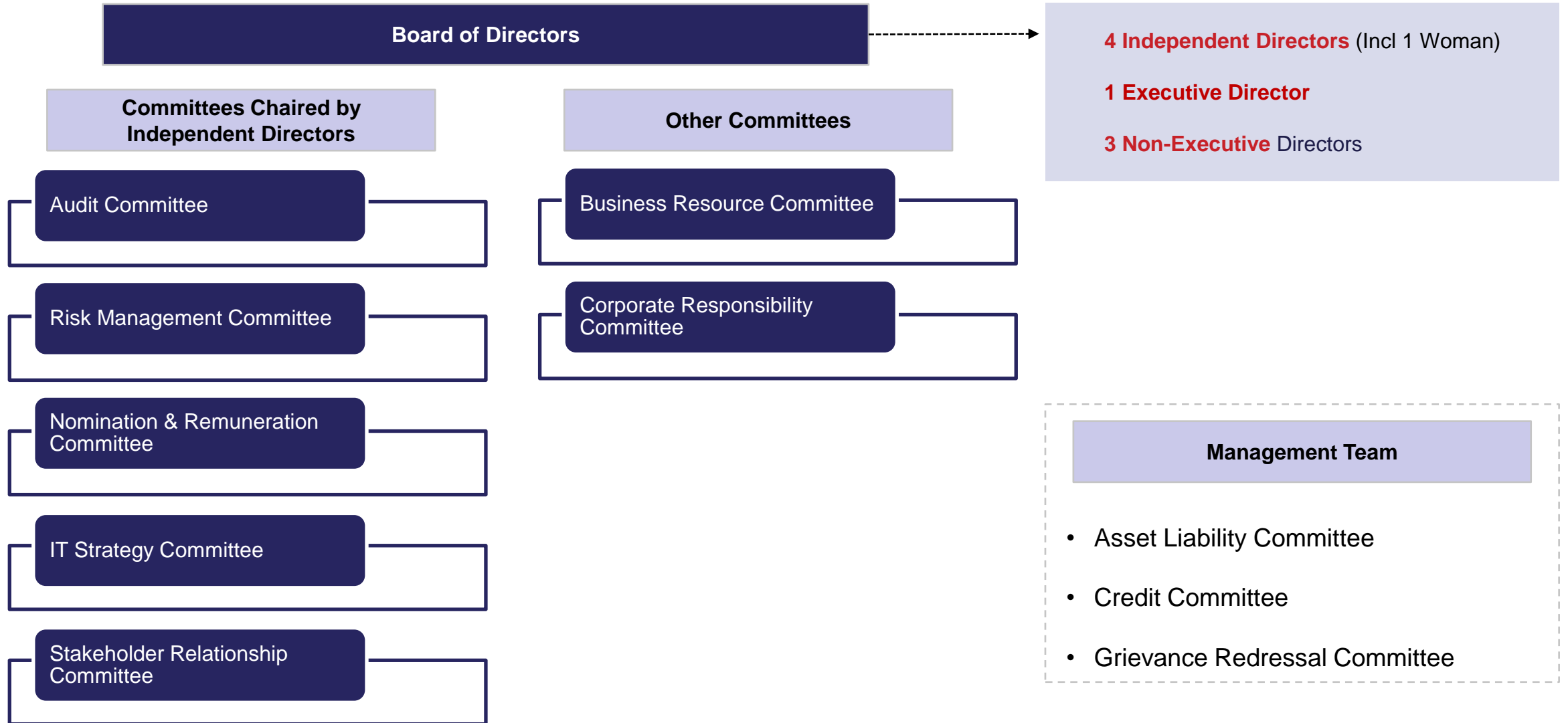
- Low-income borrowers
- Customers with strong incomes from everyday services but lacking the documentary evidence of such incomes
- Fully Collateralised loan

Lending for business purposes

- Predominant portion of lending towards business purposes (income generation)
- Displace unorganised institutions (money lenders) – First time borrowers to formal lending

Significant Branch presence in Tier 3 to Tier 6 towns - semi-urban and fast-growing rural geographies





Distinguished Board of Directors



Lakshmiopathy Deenadayalan
Chairman & Managing Director



Anand Raghavan
Independent Director
Chair – Audit Committee



T T Srinivasaraghavan
Independent Director
Chair – Risk Management Committee



Bhamamurthy Krishnamurthy
Independent Director
Chair – Nomination & Remuneration Committee



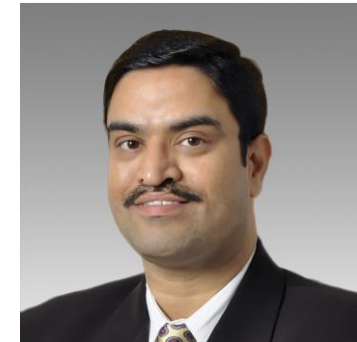
Ramkumar Ramamoorthy
Independent Director
Chair – IT Strategy Committee



Vikram Vaidyanathan
Non-Executive Director¹



G V Ravishankar
Non-Executive Director²



Trilokchand Vasam
Non-Executive Director

Experienced Management team



Lakshmipathy D
Managing Director



Rangarajan Krishnan
Chief Executive Officer



Srikanth Gopalakrishnan
Chief Financial Officer



Vishnuram Jagannathan
Chief Operating Officer



Parthasarathy Srinivasan
Chief Credit Officer



Sathya Ganesh
Chief Business Officer



Vanamali Sridharan
Chief Technology Officer



Jayaraman Sankaran
Chief Risk Officer



Ramesh Kannah
Chief Legal Officer



Naveen Raj
Chief Audit Officer



Prashanth Sreenivasan
Chief Treasury Officer



Sai Suryanarayana
Chief People Officer

Consistent Financial Performance over the years¹

Particulars (₹ Mn)	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Operational Information									
Number of branches	39	64	103	130	173	252	262	299	373
Loan disbursals	793	1,319	3,830	7,072	14,822	24,087	12,450	17,562	33,914
AUM	1,315	1,981	4,834	10,084	21,128	38,922	44,454	50,671	69,148
Number of employees	167	293	691	1,290	1,971	3,734	3,938	5,675	7,347
Financial Information									
Total Income	336	473	859	2,082	4,089	7,873	10,513	12,562	15,289
Interest expenses ²	104	141	237	578	769	2,156	3,261	2,984	2,636
Net Interest Income (NII)	232	332	622	1,504	3,320	5,717	7,252	9,578	12,653
Operating Expenses ³	76	122	286	625	1,060	1,731	2,136	3,081	4,405
Loan losses & Provisions	4	7	28	93	76	493	352	455	201
Profit Before Tax (PBT)	152	203	308	786	2,184	3,493	4,764	6,042	8,047
Profit After Tax (PAT)	99	134	194	558	1,567	2,620	3,589	4,535	6,035
Total Comprehensive Income	99	134	194	558	1,563	2,608	3,582	4,513	6,013
Ratios									
Cost to Income	34.48%	38.86%	50.48%	47.74%	34.22%	38.90%	34.31%	36.92%	36.40%
Return on Total Assets	7.04%	6.87%	4.22%	5.82%	8.78%	7.31%	6.99%	7.16%	8.62%
Return on Equity	16.65%	16.47%	12.26%	12.97%	15.14%	15.36%	16.85%	13.85%	15.03%
Gross Stage 3 assets ⁴	1.81%	1.82%	2.47%	1.43%	0.89%	1.37%	1.02%	1.05%	1.36% ⁵
Net Stage 3 assets ⁶	1.48%	1.52%	2.07%	0.94%	0.68%	1.13%	0.83%	0.68%	0.69%
Provision Coverage Ratio - overall AUM	0.57%	0.54%	0.81%	0.97%	0.80%	1.58%	1.95%	2.03%	1.61%
Provision Coverage Ratio - Stage 3	18.40%	16.34%	16.24%	33.89%	22.99%	17.67%	17.92%	34.91%	49.33%
CRAR	52.17%	39.14%	43.78%	58.82%	64.09%	52.94%	58.86%	75.20%	67.17%
Debt / Equity ratio	1.24	1.43	2.04	0.92	0.70	1.22	1.48	0.69	0.98

Notes: 1. Financials from FY2019 are as per Ind-AS and earlier years as per I-GAAP; 2. Does not include interest on lease liabilities; 3. Includes interest on lease liabilities; 4. Gross Stage 3 Assets represents loans which are more than 180 days past due till FY2016 and loans which are more than 90 days past due thereafter, as a percentage of the overall loan portfolio; 5. Computed as per guidelines stipulated by RBI vide their circulars on Prudential Norms on Income recognition and Asset classification dated Nov 12, 2021 and Feb 15, 2022 (wherein implementation of upgradation norms were deferred to October 1, 2022) i.e loans that have crossed 90 days past due any time since October 1, 2022 and not cleared their arrears fully, expressed as a % of AUM 6. Net Stage 3 Assets denotes Gross Stage 3 assets reduced by impairment allowance on such loans, represented as a percentage



Section 3

Executive Summary – Q2FY2024

Scale of Operations



₹82.6bn / ₹57.3bn
AUM in Q2FY24 / Q2FY23
44% growth Y-o-Y



₹12.0bn / ₹8.0bn
Amount Disbursed in
Q2FY24 / Q2FY23



35,572 / 27,377
Number of Disbursements in
Q2FY24 / Q2FY23



₹47.4bn
Net Worth

Distribution



456
Number of Branches



4,399
Business and Collections
Team



Presence in 10
States / UT across India
(focused on expansion)



100% In-house
Sourcing & Collections

Granular Book



100% Secured
Loan Book
(95% against SORP)



₹0.34mn
Average ticket size¹ for
loans disbursed in Q2FY24



340,107
Live accounts²



38.5%
Average LTV³
(As of Sep 30, 2023)

Asset Quality



1.35%
Q2FY24⁴
Gross Stage 3 Assets



0.68%
Q2FY24⁵
Net Stage 3 Assets



0.45%
Q2FY24 Credit Cost to
Average Total Assets⁶



0.66% / 49.84%
Total Restructured Portfolio /
Provision Coverage on
restructured book

Liability Profile



47
Lender relationships



59.40%
CRAR – Sufficient capital



Borrowing profile
Well-diversified profile with
fixed rate borrowings of
25.5%



AA-
Long term credit rating by
ICRA, CARE and India
Ratings

Profitability



₹2.0bn / ₹1.4bn
PAT for Q2FY24 / Q2FY23
38% growth Y-o-Y



17.68%
Net Interest Margin⁷ for
Q2FY24

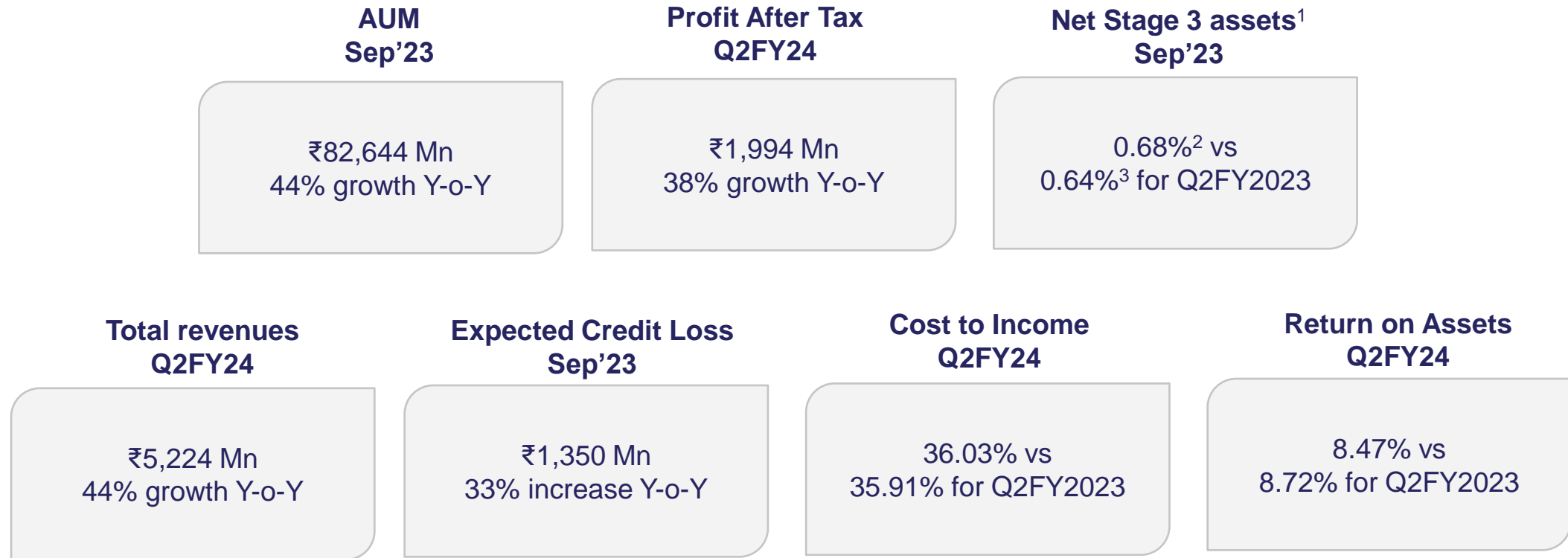


8.47%
Return on Total Assets for
Q2FY24



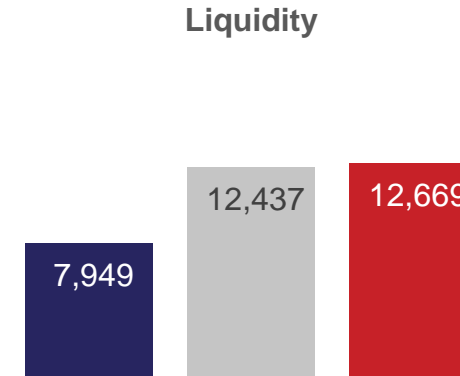
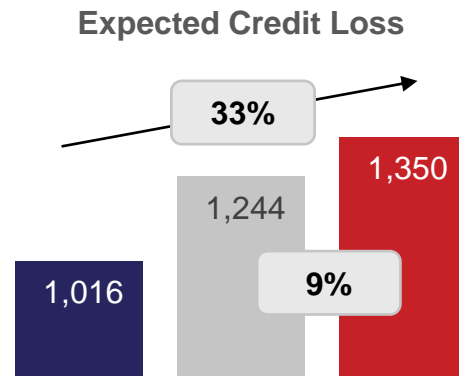
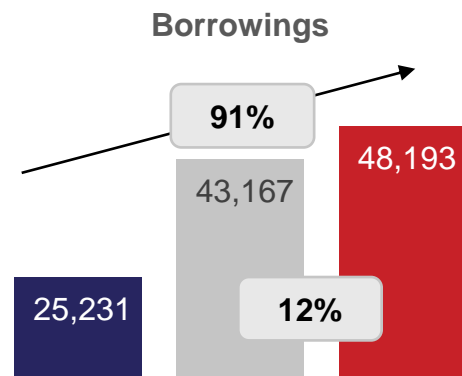
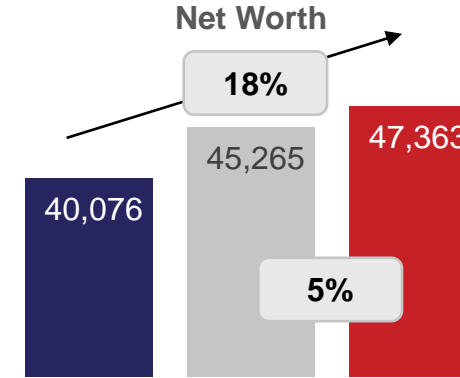
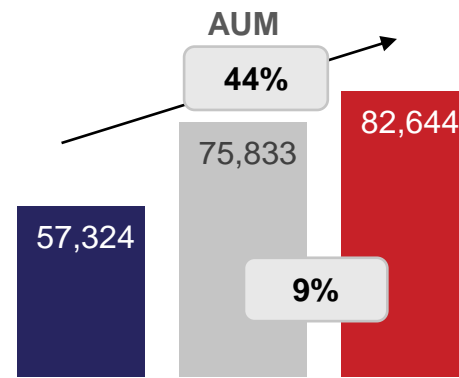
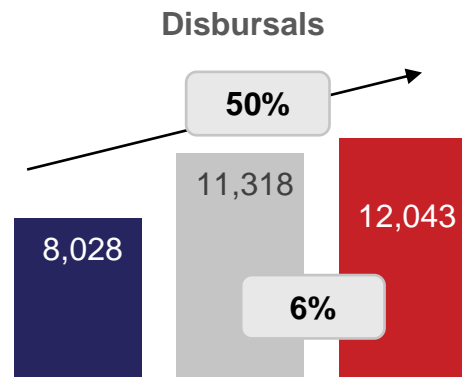
17.08%
Return on Avg. Equity⁸ for
Q2FY24

- Q2FY2024 was a strong quarter across Growth, Profitability and Quality. Growth momentum was sustained without any compromise on profitability or quality.
- Robust disbursements coupled with strong asset quality showing betterment across various DPD buckets
- Y-o-Y growth of 44% on AUM and Gross Stage 3 Assets of 1.35%



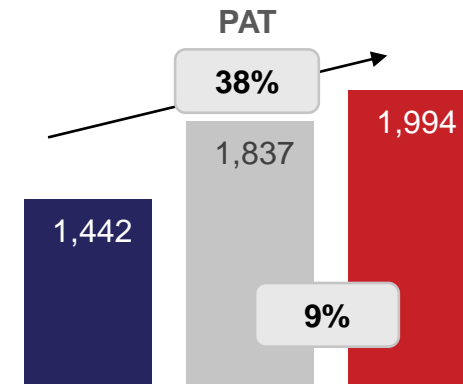
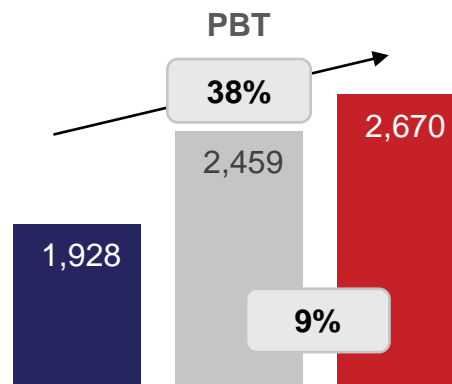
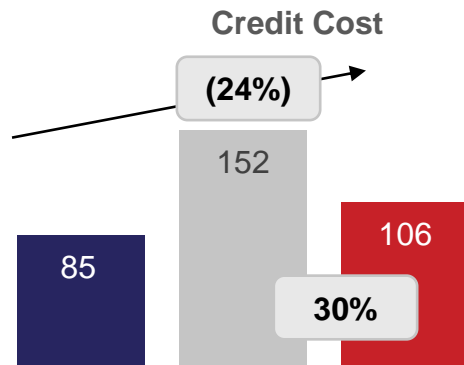
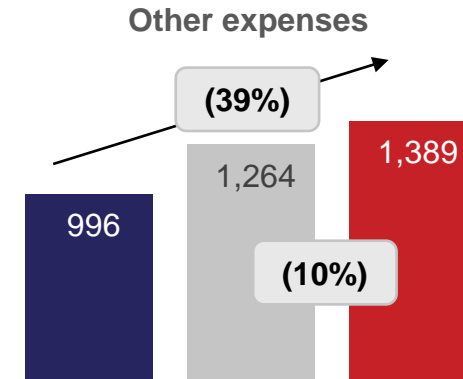
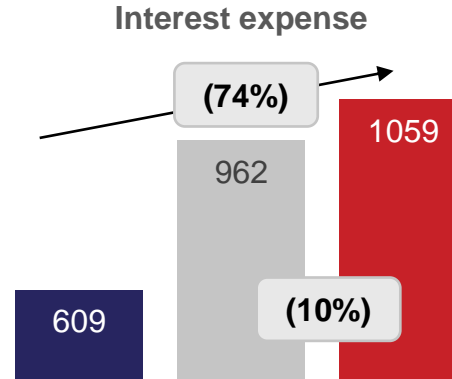
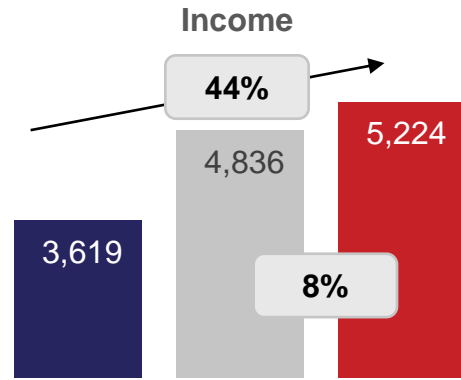
Notes: 1. Gross Stage 3 Assets reduced by impairment allowance on such loans expressed as a percentage; 2. Computed as per guidelines stipulated by RBI vide their circulars on Prudential Norms on Income recognition and Asset classification dated Nov 12, 2021 and Feb 15, 2022 (wherein implementation of upgradation norms were deferred to October 1, 2022) i.e loans that have crossed 90 days past due any time since October 1, 2022 and not cleared their arrears fully, expressed as a % of AUM ; 3. Refers to loans which are overdue for more than 90 days as at the end of the relevant period, expressed as a % of AUM

All amounts in ₹ Mn



Q2FY23 Q1FY24 Q2FY24

All amounts in ₹ Mn



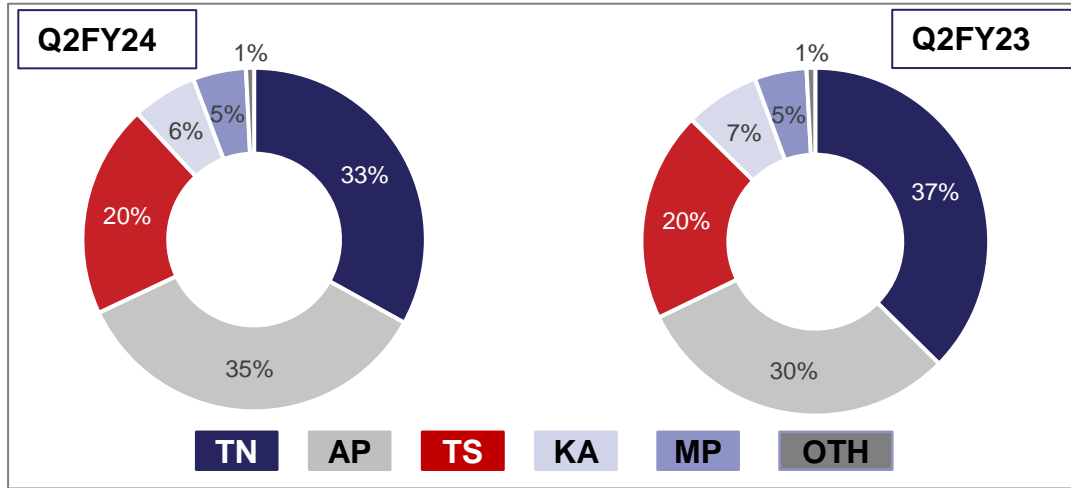
Q2FY23

Q1FY24

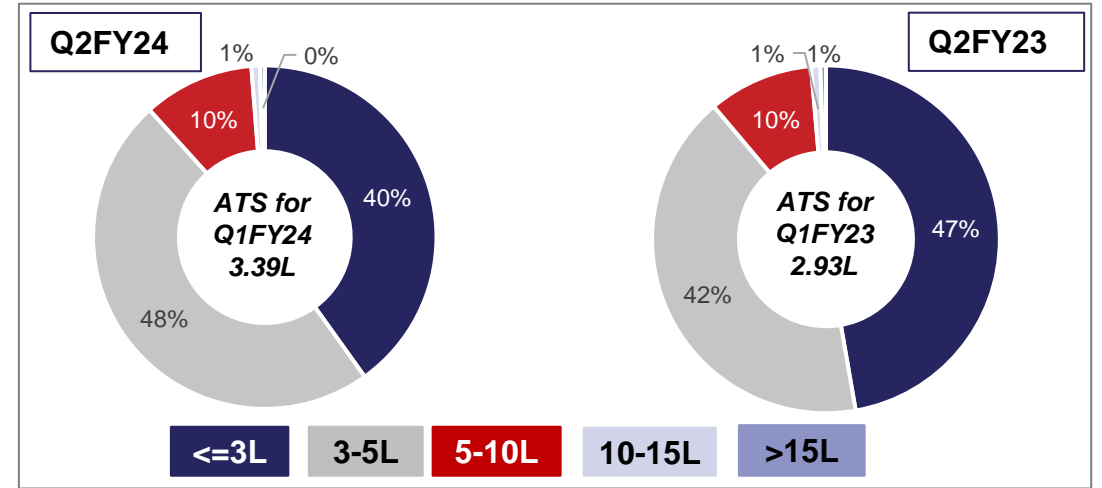
Q2FY24

Well Diversified Portfolio across Parameters

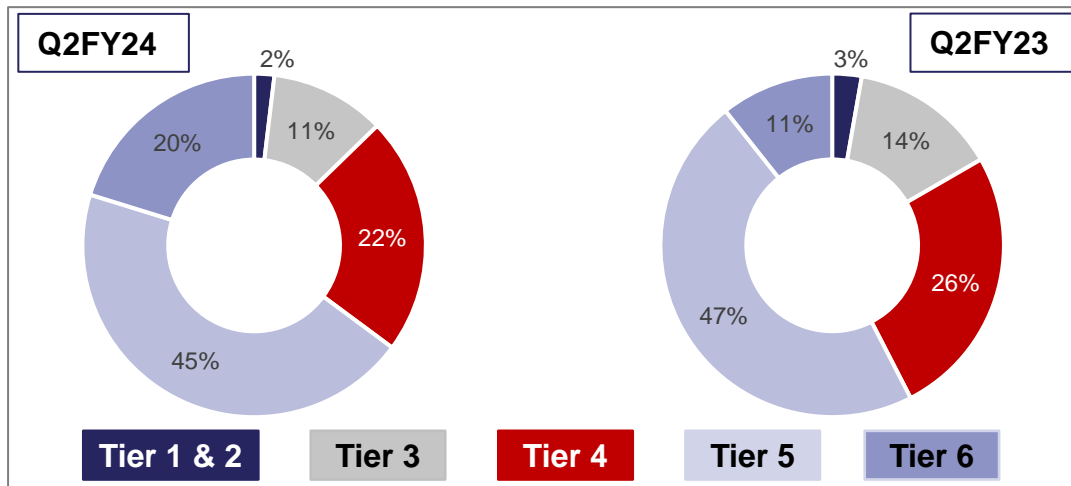
AUM by Geography



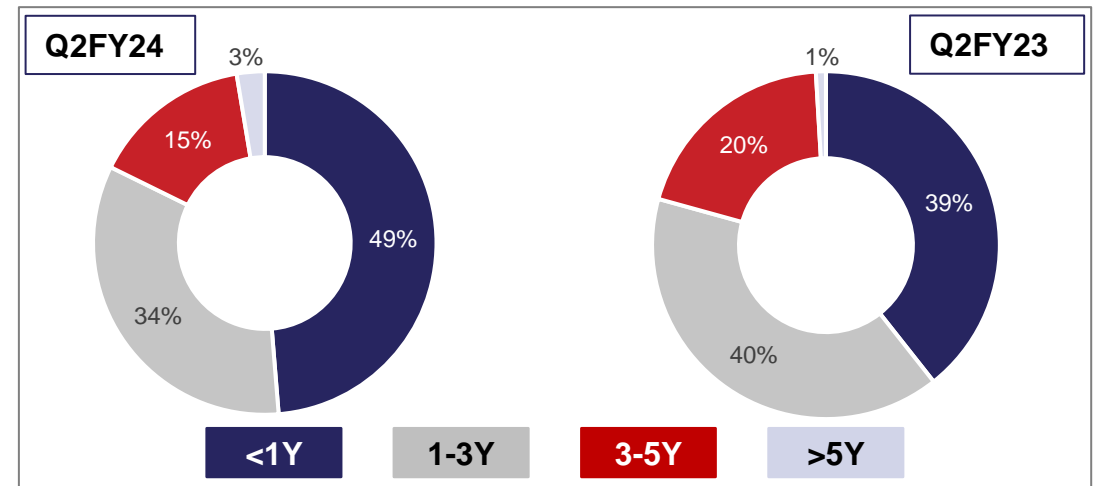
AUM by Ticket Size



AUM by Branch Tier¹



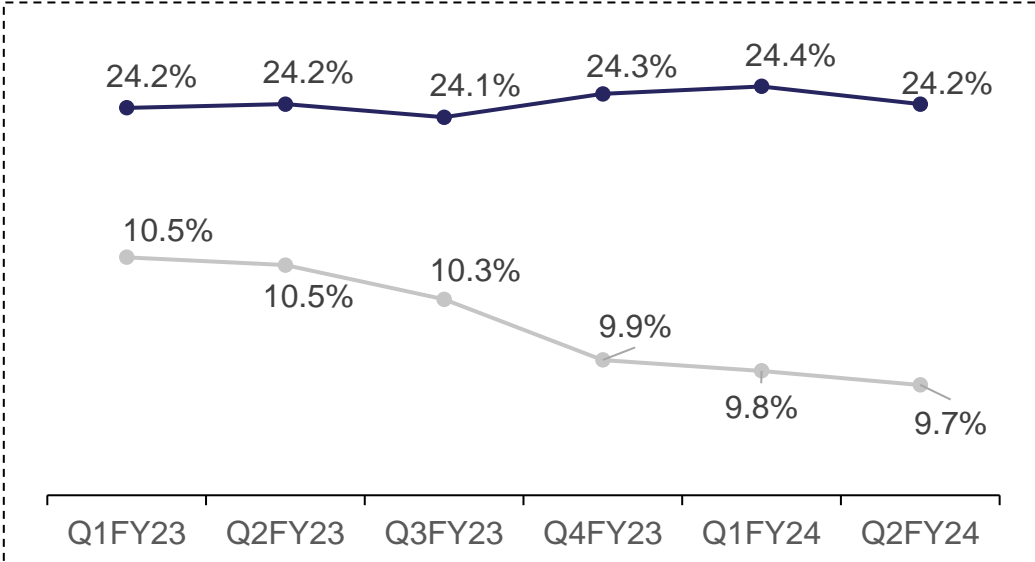
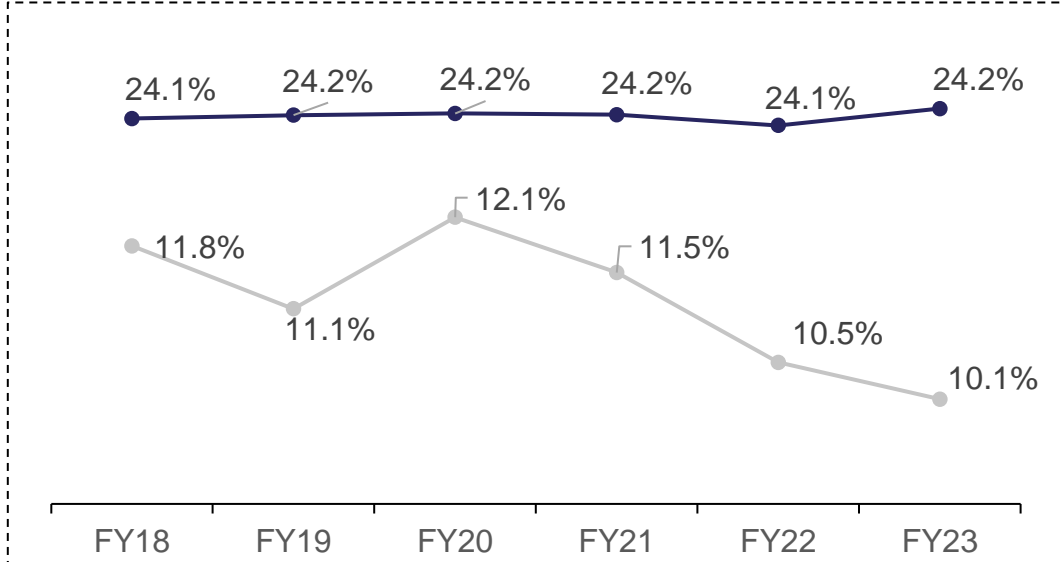
AUM by Vintage of loans



Notes: 1. Tier 6 - Population < 50K; Tier 5 - Population 50K - 1L; Tier 4 - Population 1 - 2L; Tier 3 - Population 2 - 10L; Tier 2 - Population 10 - 50L; Tier 1 - Population >50L

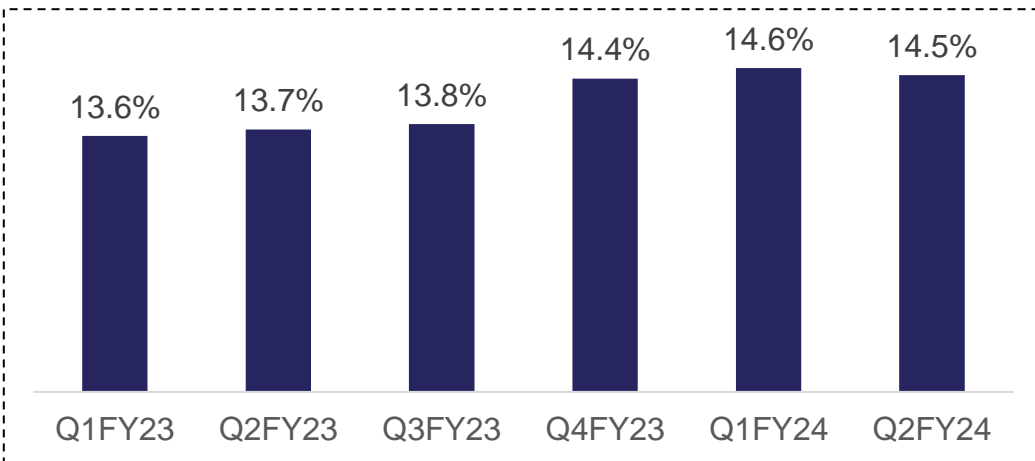
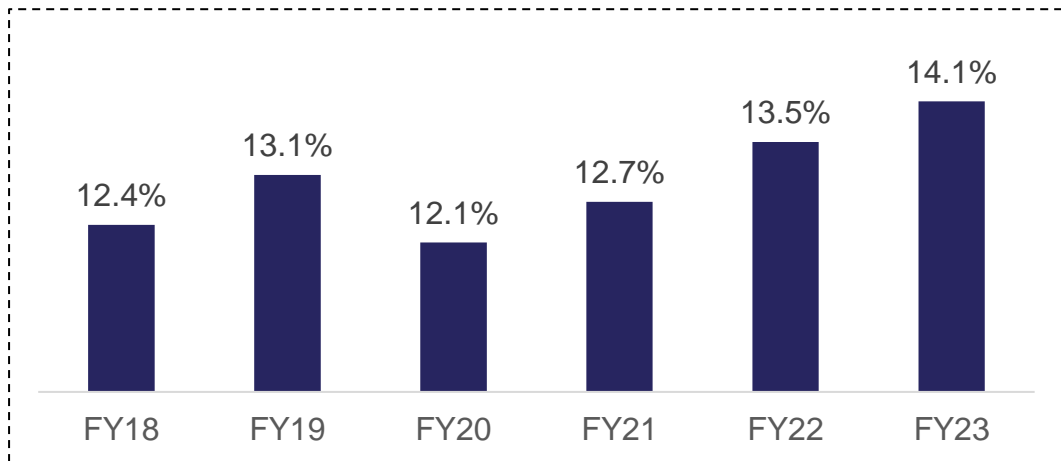
Consistent & Best-in-class Spreads

— Portfolio Yield — Cost of borrowing ■ Spread



No yield increases done even during a difficult interest rate cycle

Consistent reduction in cost of borrowing during a rising interest rate cycle



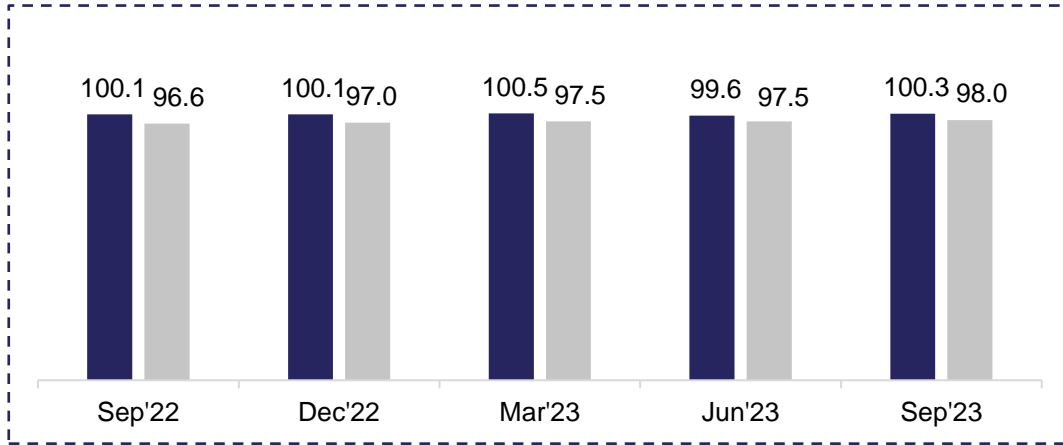
1. Net Q-o-Q AUM growth of ₹6,811 Mn in Q2FY24 as against ₹4,359 Mn in Q2FY23. AUM was up 44% Y-o-Y at ₹82,644 Mn as of September 30, 2023 as against ₹57,324 Mn as of September 30, 2022.
2. Disbursements during the quarter was at ₹12,043 Mn as against ₹8,028 Mn during Q2FY23.
3. Active loans at 0.34 Mn as against 0.25 Mn as of September 30, 2022.
4. The Company added 70 branches during the quarter. Total branch count stood at 456 as against 352 branches as of September 30, 2022.
5. Total Headcount stood at 8,261 as against 6,731 as of September 30, 2022.
6. Collections efficiency for the quarter stood at 100.3% as against 99.6% for Q1FY24.
7. During Q2FY24, the company has received sanctions for incremental debt of ₹11,842 Mn¹ (at a weighted average interest rate of 9.17% and all-inclusive cost of 9.50%²), as against ₹8,900 Mn received during Q1FY24 (at a weighted average interest rate of 9.18% and all-inclusive cost of 9.50%²). Liquidity buffer as of September 30, 2023 stood at about ₹12,669 Mn.
8. Gross & Net Stage 3 assets stood at 1.35%² and 0.68%² respectively as of September 30, 2023 as against 1.15%³ and 0.64%³ as of September 30, 2022. Loans which were overdue for more than 90 days as of September 30, 2023 stood at 1.07% (gross) and 0.50% (net).
9. Overall Stage 2 assets stood at ₹5,984 Mn (7.24%) as of September 30, 2023 as against ₹7,147 Mn (12.47%) as of September 30, 2022.
10. The Provision coverage on Stage 3 assets stood at 50.17% and the provision coverage on the overall portfolio stood at 1.63%.
11. Post tax profit grew by 38% to ₹1,994 Mn in Q2FY24 as compared to ₹1,442 Mn in Q2FY23.
12. Capital adequacy remained high at 59.40%



Section 3

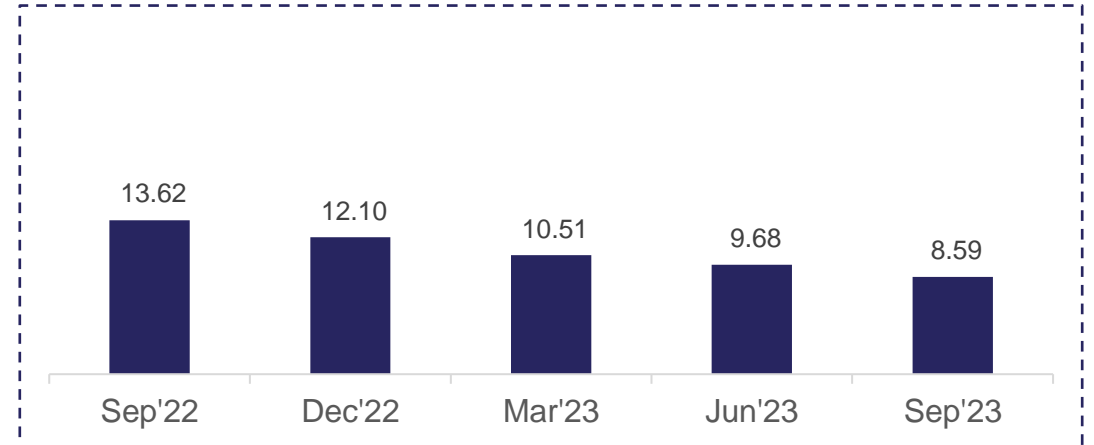
Asset Quality & ECL

Collections Efficiency (%)

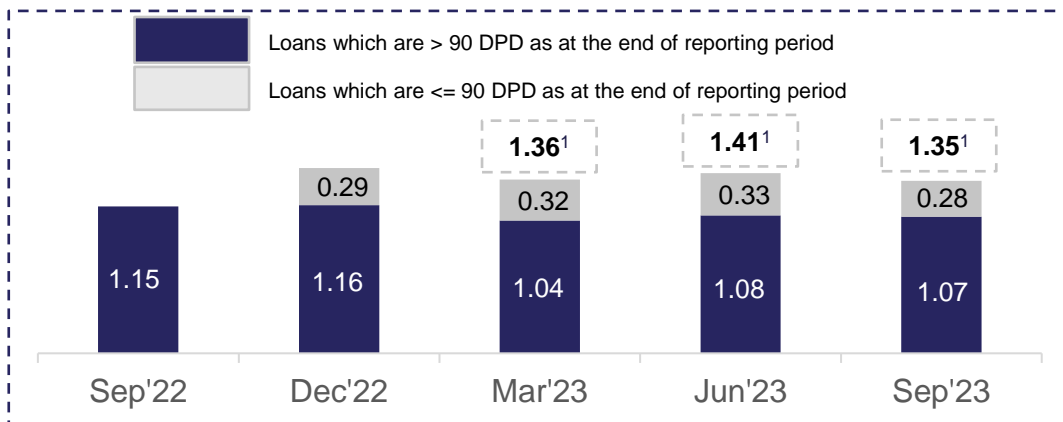


Amount of EMI received during the month (including arrears of previous months) divided by EMI demand for the current month
 Amount of EMI received during the month, restricted to a max of 1 EMI per loan divided by EMI demand for the current month

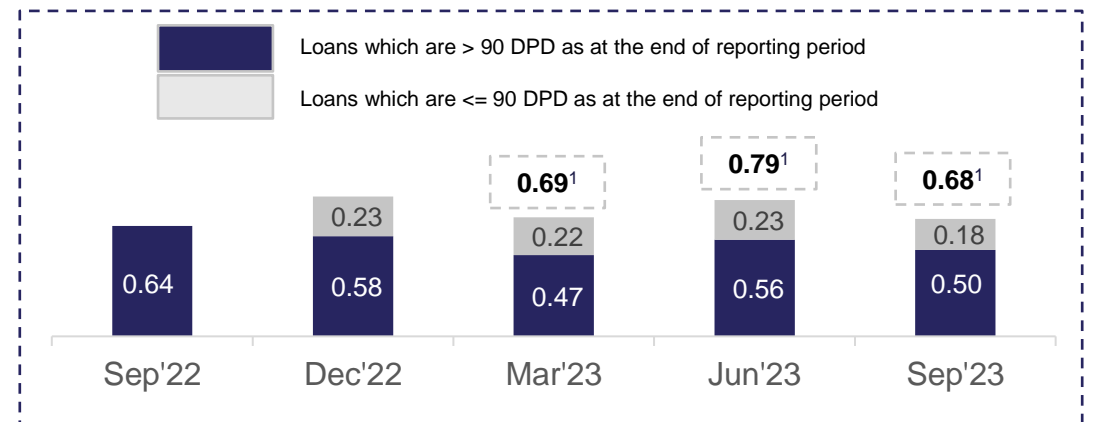
30+ (%)



Gross Stage 3 Assets (%)



Net Stage 3 Assets (%)



Notes: 1. Gross Stage 3 Assets computed as per guidelines stipulated by RBI vide their circulars on Prudential Norms on Income recognition and Asset classification dated Nov 12, 2021 and Feb 15, 2022 (wherein implementation of upgradation norms were deferred to October 1, 2022) i.e loans that have crossed 90 days past due any time on or after October 1, 2022 and not cleared their arrears fully, expressed as a % of AUM, and Net Stage 3 assets represents Gross Stage 3 assets reduced by impairment loss allowance on such Gross Stage 3 Assets, expressed as a %.

Amount in ₹ Mn	As at Sep 2023 ¹		As at Mar 2023 ¹		As at Sep 2022 ²	
	AUM	% AUM	AUM	% AUM	AUM	% AUM
Bucket						
Current (Stage-1)	71,482	86.50%	57,743	83.51%	44,888	78.31%
1-30 (Stage-1)	4,060	4.91%	4,140	5.99%	4,630	8.08%
31-60 (Stage-2)	3,099	3.75%	3,140	4.54%	3,575	6.24%
61-90 (Stage-2)	2,885	3.49%	3,185	4.61%	3,571	6.23%
90+ (Stage-3)	1,118	1.35%	939	1.36%	660	1.15%
Total	82,644		69,148		57,324	
Stage 1 Assets	75,542	91.41%	61,884	89.49%	49,518	86.38%
Stage 2 Assets	5,984	7.24%	6,325	9.15%	7,147	12.47%
Stage 3 Assets	1,118	1.35%	939	1.36%	660	1.15%

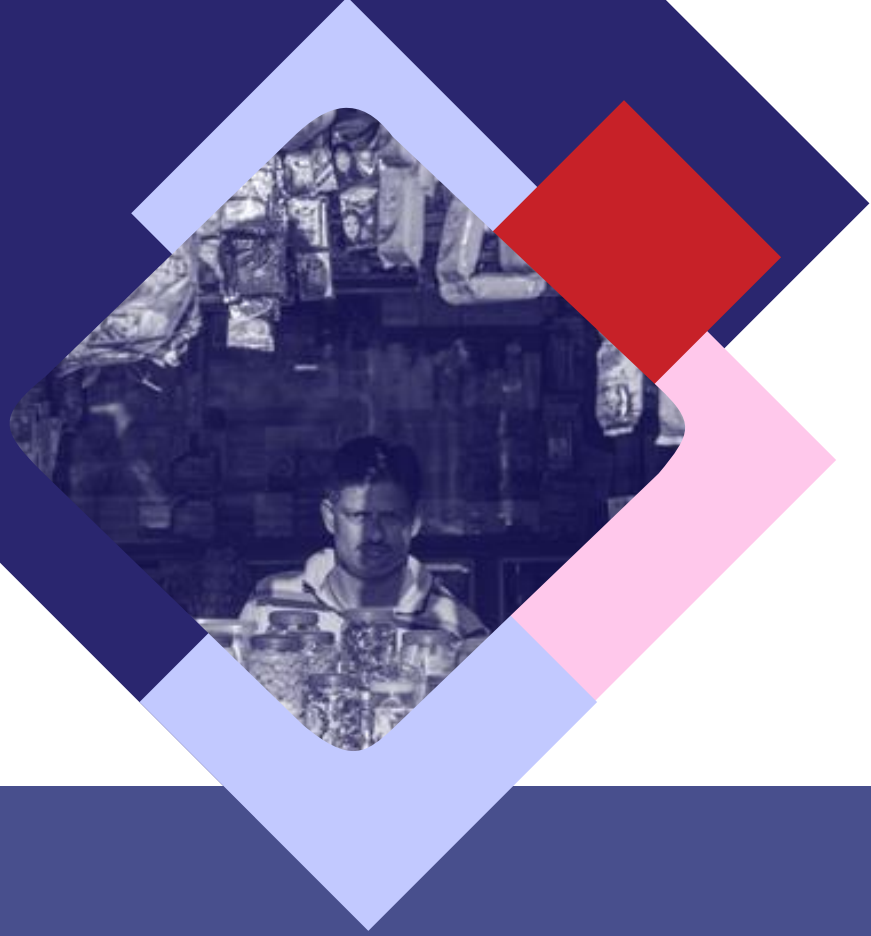
Improvement across buckets not just in % terms but also in terms of absolute quantum

Amount in ₹ Mn				
As of September 30, 2023¹	Stage 1	Stage 2	Stage 3	Total
Loans Outstanding (Gross)	75,542	5,984	1,118	82,644
ECL Provision	299	490	561	1,350
Loans Outstanding (Net)	75,243	5,494	557	81,294
ECL Provision %	0.40%	8.19%	50.17%	1.63%
As of March 31, 2023¹	Stage 1	Stage 2	Stage 3	Total
Loans Outstanding (Gross)	61,884	6,325	939	69,148
ECL Provision	203	443	463	1,111
Loans Outstanding (Net)	61,681	5,882	476	68,037
ECL Provision %	0.33%	7.01%	49.33%	1.61%
As of September 30, 2022²	Stage 1	Stage 2	Stage 3	Total
Loans Outstanding (Gross)	49,518	7,147	660	57,324
ECL Provision	184	540	292	1,016
Loans Outstanding (Net)	49,334	6,607	368	56,308
ECL Provision %	0.37%	7.56%	44.27%	1.77%

Amount in ₹ Mn	Q2FY2024	Q2FY2023	Q2FY2022	Q2FY2021
Loan Portfolio	82,644	57,324	46,393	39,281
Gross Stage 3 assets	1,118 ¹	660 ²	667 ²	503 ²
Gross Stage 3 assets %	1.35%	1.15%	1.44%	1.28%
Gross Stage 3 assets % - 1 year Lag	1.95%	1.42%	1.70%	1.80%
Gross Stage 3 assets % - 2 years Lag	2.41%	1.68%	2.39%	3.35%

Increase in FY2023 and thereafter is on account of transition to new IRAC norms, which has resulted in slight increase in Gross Stage 3 assets

1-year lag Gross Stage 3 assets computed as Gross Stage 3 assets as at the end of a period as a % of the loan portfolio 1 year ago
2-year lag Gross Stage 3 assets computed as Gross Stage 3 assets as at the end of a period as a % of the loan portfolio 2 years ago



Section 4

Financial Performance – Q2FY2024

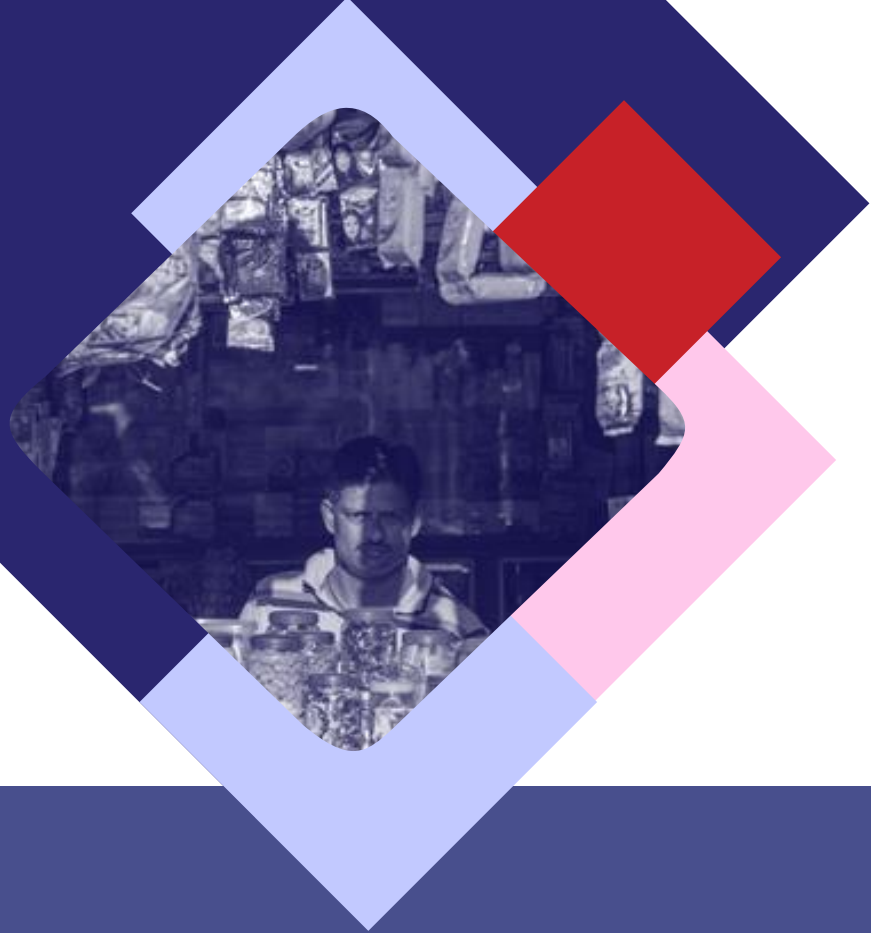
Particulars (₹ Mn)	Q2FY2024	Q2FY2023	Q1FY2024
Assets			
Cash & Cash equivalents	10,154	3,438	8,435
Bank balances other than cash & cash equivalents	1,341	2,299	1,249
Loans ¹	81,323	57,635	74,776
Investments	2,216	1,644	3,556
Other financial assets ²	372	226	394
Non-Financial Assets	1,391	1,035	1,294
Total Assets	96,797	66,277	89,705
Liabilities & Equity			
Trade Payables	250	134	200
Debt Securities	1,936	7,457	2,615
Borrowings other than Debt Securities	46,256	17,774	40,552
Other Financial Liabilities ²	628	637	548
Non-Financial Liabilities	364	198	524
Total Equity	47,363	40,076	45,265
Total Liabilities & Equity	96,797	66,277	89,705

Quarterly & Yearly Profit & Loss Statement

Particulars (₹ Mn)	Q2FY2024	Q2FY2023	Q1FY2024	Y-o-Y	Q-o-Q	H1FY2024	H1FY2023	H2FY2023	Y-o-Y	H-o-H
Loan Portfolio	82,644	57,324	75,833	44%	9%	82,644	57,324	69,148	44%	20%
Interest Income	5,041	3,573	4,637			9,678	6,925	8,063		
Net Gain on Fair value changes	106	14	112			218	29	54		
Fee & Other income	77	31	86			162	54	165		
Total Income	5,224	3,619	4,836	44%	8%	10,059	7,009	8,280	44%	21%
Interest Expenses ¹	1,059	609	962			2,021	1,257	1,406		
Net Interest Income	4,165	3,010	3,874	38%	8%	8,038	5,752	6,874	40%	17%
Operating Expenses	1,389	996	1,263			2,652	1,881	2,497		
Loan losses & Provisions	106	85	152			258	81	120		
Profit before Tax (PBT)	2,670	1,928	2,459	38%	9%	5,128	3,790	4,257	35%	20%
Profit after Tax (PAT)	1,994	1,442	1,837	38%	9%	3,831	2,836	3,199	35%	20%
Other Comprehensive Income	8	(19)	(18)			(11)	(27)	5		
Total Comprehensive Income	2,002	1,422	1,819	41%	10%	3,820	2,809	3,204	36%	19%
Earnings Per Share (Basic) ²	6.85	4.94	6.30			13.15	9.73	10.98		
Earnings Per Share (Diluted) ²	6.77	4.87	6.24			13.01	9.61	10.88		
Book value per Share ³	158.66	135.61	153.17			158.66	135.61	146.84		

Note: 1. Includes interest on lease liabilities; 2. EPS for the quarters is not annualized. EPS has been computed in accordance with IND AS 33.3. Book value per share computed by dividing the net worth as at the end of the reporting period by the number of shares (including ungranted, unvested and vested but unexercised options) as at the end of the reporting period

Particulars	Q2FY2024	Q2FY2023	Q1FY2024	H1FY2024	H1FY2023	H2FY2023
Interest Income (as a % of average portfolio)	24.19%	24.19%	24.44%	24.29%	24.15%	24.35%
Interest Expenses (as a % of average borrowings)	9.71%	10.48%	9.80%	9.75%	10.56%	9.98%
Net Interest Income %	14.48%	13.71%	14.64%	14.54%	13.60%	14.37%
Total Income % (as a % of average total assets) ¹	22.18%	21.88%	22.15%	22.18%	21.45%	22.31%
Interest Expenses (as a % of average total assets) ¹	4.50%	3.68%	4.41%	4.46%	3.85%	3.79%
Net Interest Margin %	17.68%	18.20%	17.74%	17.72%	17.61%	18.52%
Operating Expenses (as a % of average total assets) ¹	5.90%	6.02%	5.78%	5.85%	5.76%	6.73%
Loan losses & Provisions (as a % of average total assets) ¹	0.45%	0.51%	0.70%	0.57%	0.25%	0.32%
Profit before Tax (PBT) %	11.34%	11.66%	11.26%	11.31%	11.60%	11.47%
Tax %	2.87%	2.94%	2.85%	2.86%	2.92%	2.85%
Profit after Tax (PAT) or Return on average total assets¹	8.47%	8.72%	8.41%	8.45%	8.68%	8.62%
Debt / Equity	1.02	0.63	0.95	1.02	0.63	0.98
Leverage (Total assets / Net worth) ²	2.04	1.65	1.98	2.04	1.65	2.01
Return on Equity	17.08%	14.55%	16.62%	16.85%	14.66%	15.38%
Cost to income ratio	36.03%	35.91%	36.63%	36.33%	34.11%	38.07%

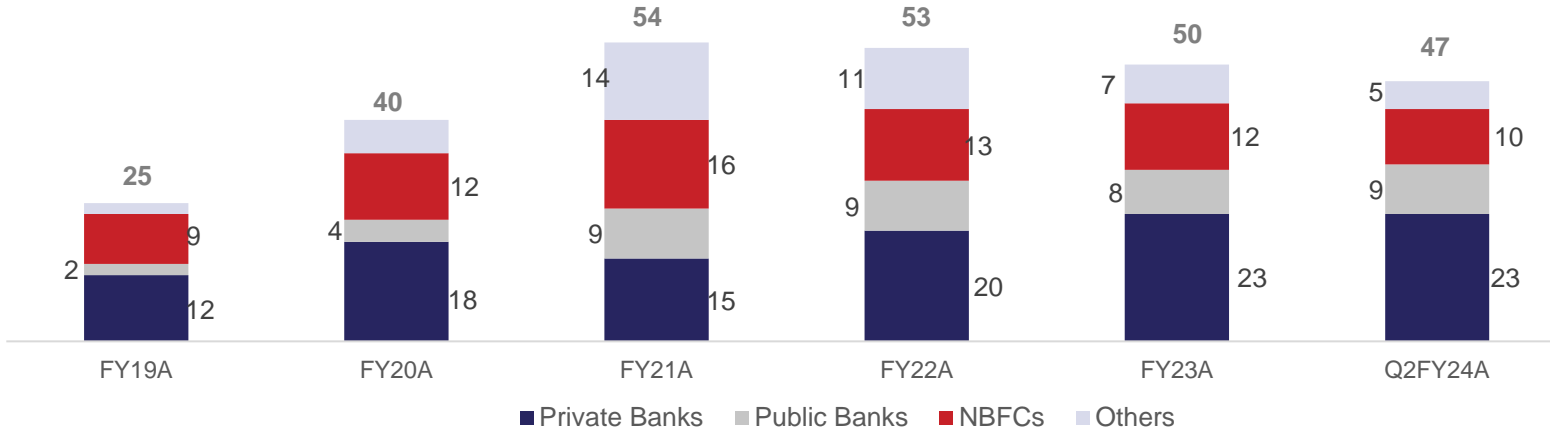


Section 5

Liability & ALM

Well diversified borrowing mix

Number of lenders in each category



Increased number of lending relationships from 25 as of Mar 2019 to 47 as of Sep 2023

Deepened relationships in the PSU and private bank category

Long Term Credit Rating

AA- from ICRA, CARE and India Ratings

CARE has also upgraded the rating to AA- during the quarter

Short Term Credit Rating

A1+ from CARE

The Company does not use short-term borrowing to fund its long-term assets

Lenders to the Company

Select Public Sector Banks



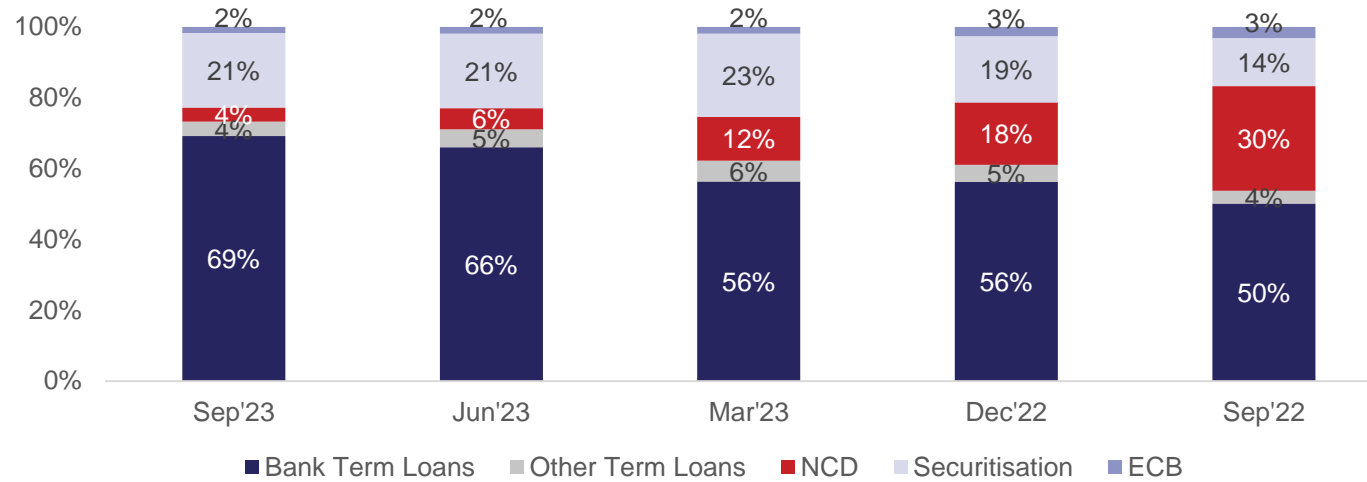
Select Private Sector Banks



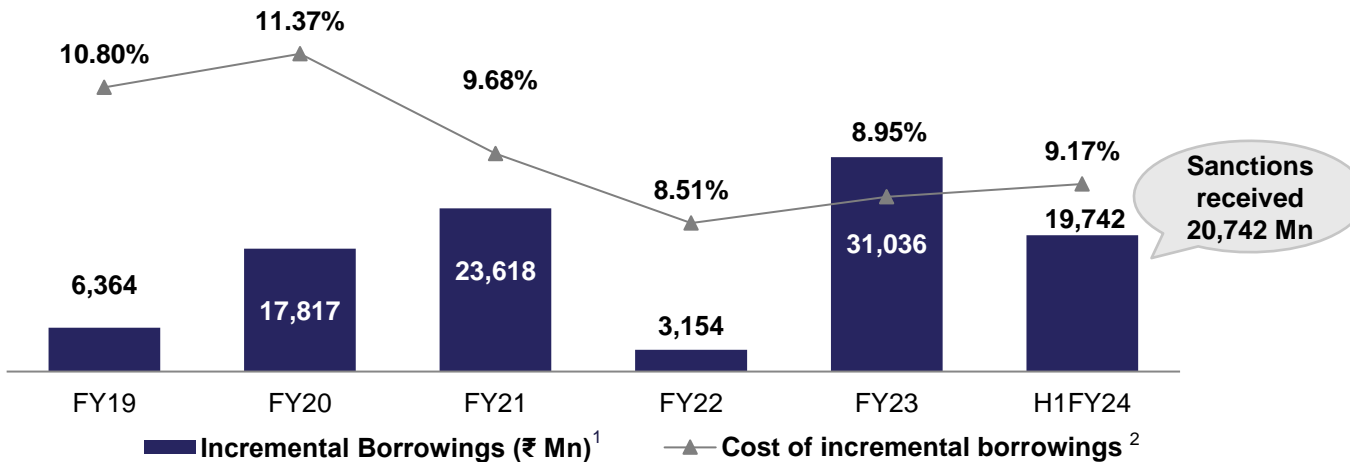
Select Other Institutions



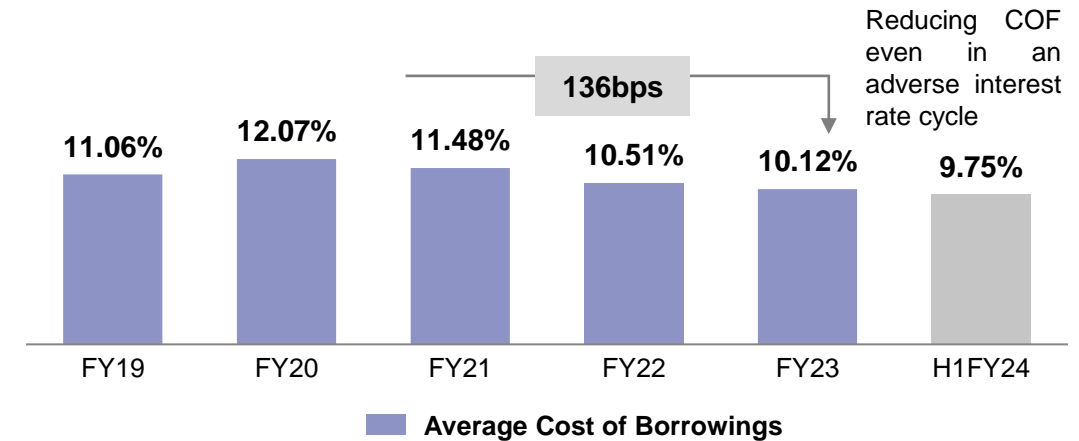
Well diversified borrowing mix



Cost of incremental borrowings



Cost of funds on the book



Note: 1.. Incremental borrowings during the period and Includes Securitization proceeds amounting to ₹3,519 Mn, where the settlement was deferred to October 3rd due to change in holiday; 2. Represents weighted average rate of interest on fresh borrowings in the relevant period, weights being availed amount of each borrowing during the period. Includes cost of Securitization transaction, where the settlement was deferred to October 3rd due to change in public holiday

Cashflow Position as of Sep'23 – Cumulative

Particulars	Up to 1M	1-2 M	2-3 M	3-6 M	6M – 1Y	1-3 Y	3-5 Y	>5 Y
Opening Liquidity¹	13,747							
Add: Inflows from advances ²	945	939	952	3,062	6,758	29,308	27,161	12,958
Less: Outflows on borrowings	897	839	1,212	3,245	6,308	21,878	12,749	1,163
Add: Other inflows	88	33	11	56	14	66	219	2,895
Less: Other outflows	645	23	50	135	126	356	277	49,312
Cumulative mismatch	13,238	13,348	13,050	12,787	13,126	20,266	34,261	-

No cumulative mismatch in any of the time buckets

The Company does not use short-term borrowings to fund its long-term assets, despite possible pricing benefits

Strong Liquidity Position as of Sep'23

Amount in ₹ Mn	
Liquidity buffer as of Sep 2023	
Unencumbered cash & cash equivalents	12,669
Unavailed sanction from banks / FIs	4,519
Total Liquidity	17,188

Projected Cashflow Schedule	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Opening Liquidity	17,188	21,007	24,654	28,186
Add: Principal collections & internal accruals	6,767	6,892	6,865	6,214
Less: Debt repayments (principal & interest)	2,947	3,245	3,333	2,975
Closing Liquidity	21,007	24,654	28,186	31,426

Thank You

For further information, you may please email to:

 ir@fivestargroup.in