

Date: July 29, 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 unaudited Financial Results for the quarter ended June 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 unaudited financial results for the quarter ended June 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](mailto:info@fivestargroup.in), Website : [www.fivestargroup.in](http://www.fivestargroup.in)  
CIN : U65991TN1984PLC010844



# Five-Star Business Finance Limited

## Investor Presentation

Q1 FY2024

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**Section 1**  
*Business Highlights*

**Section 2**  
*Company Overview*

**Section 3**  
*Executive Summary –  
Q1FY2024*

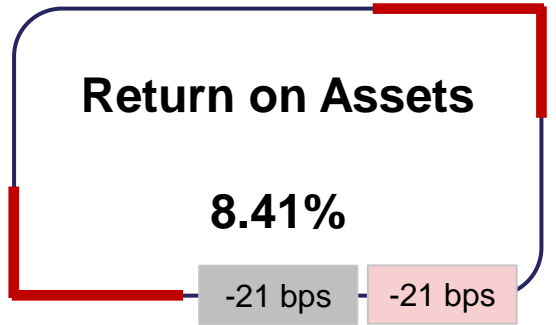
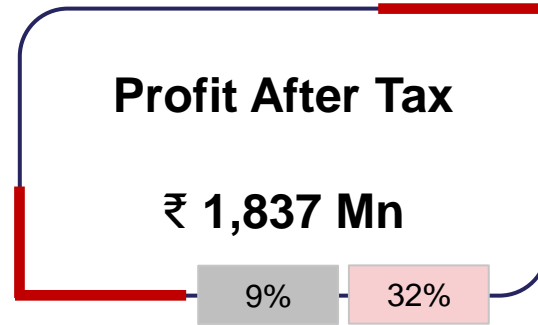
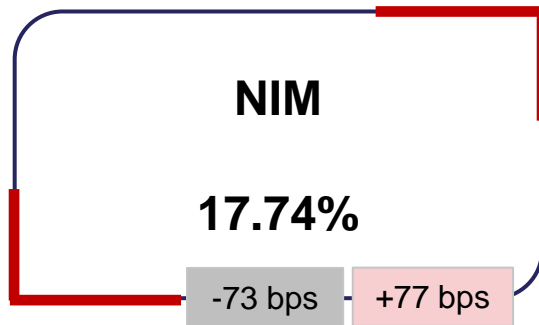
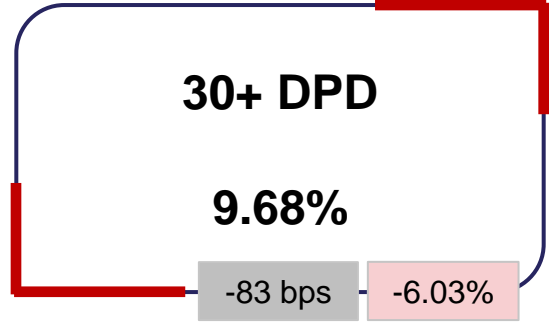
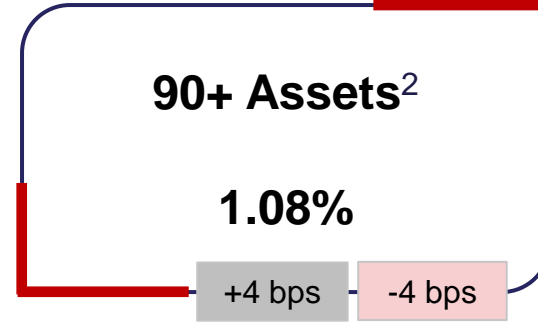
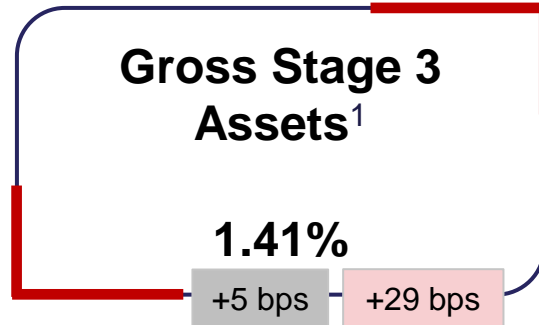
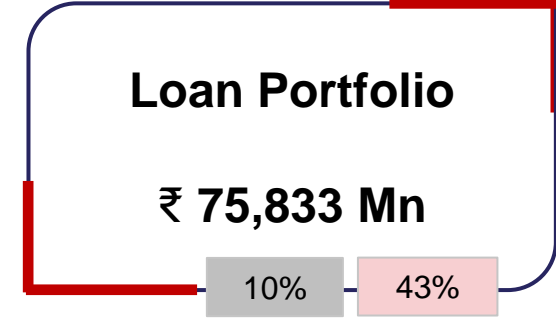
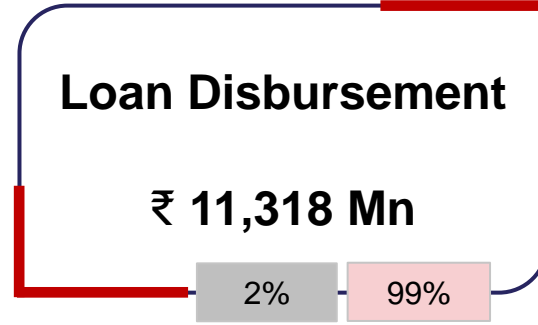
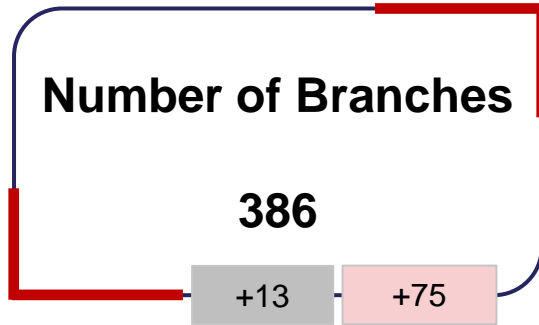
**Section 4**  
*Financial Performance, Asset  
Quality & ECL – Q1FY2024*

**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 June 30, 2023



## 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



386 branches

9 States + 1 UT

3.2 lakh loans

7,538 employees

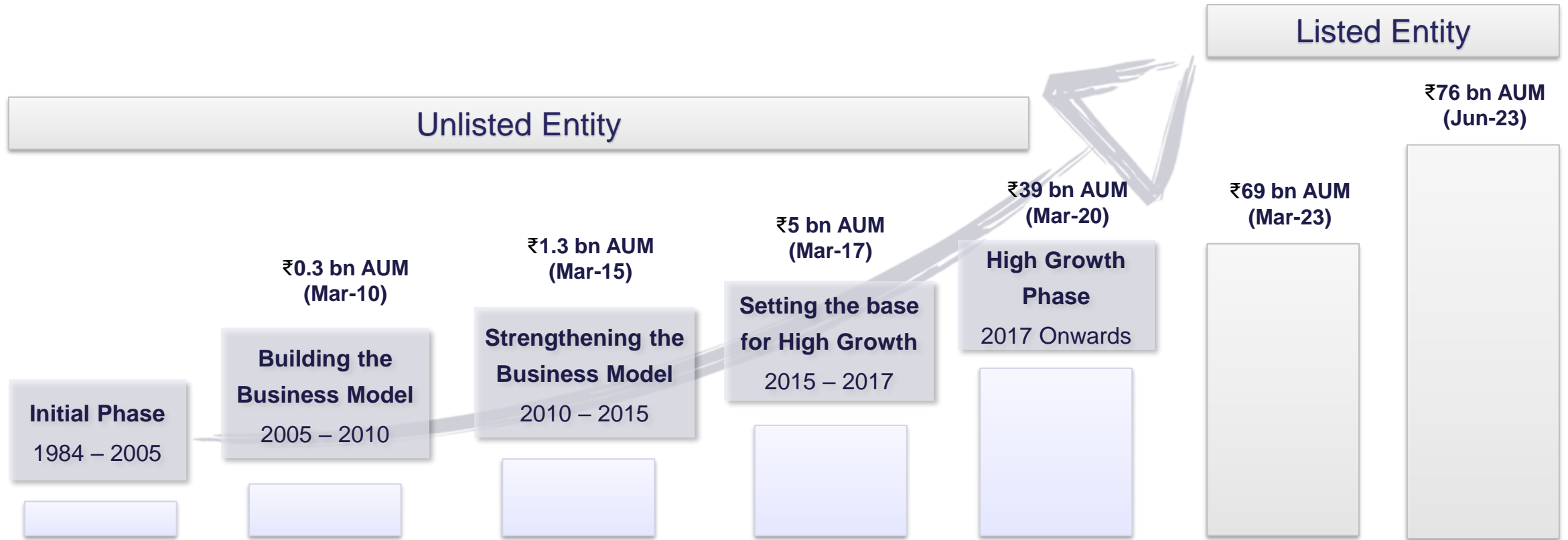


Registered as NBFC-ND-SI with  
the Reserve Bank of India

2 decades of lending to Small  
Business Loan customers

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

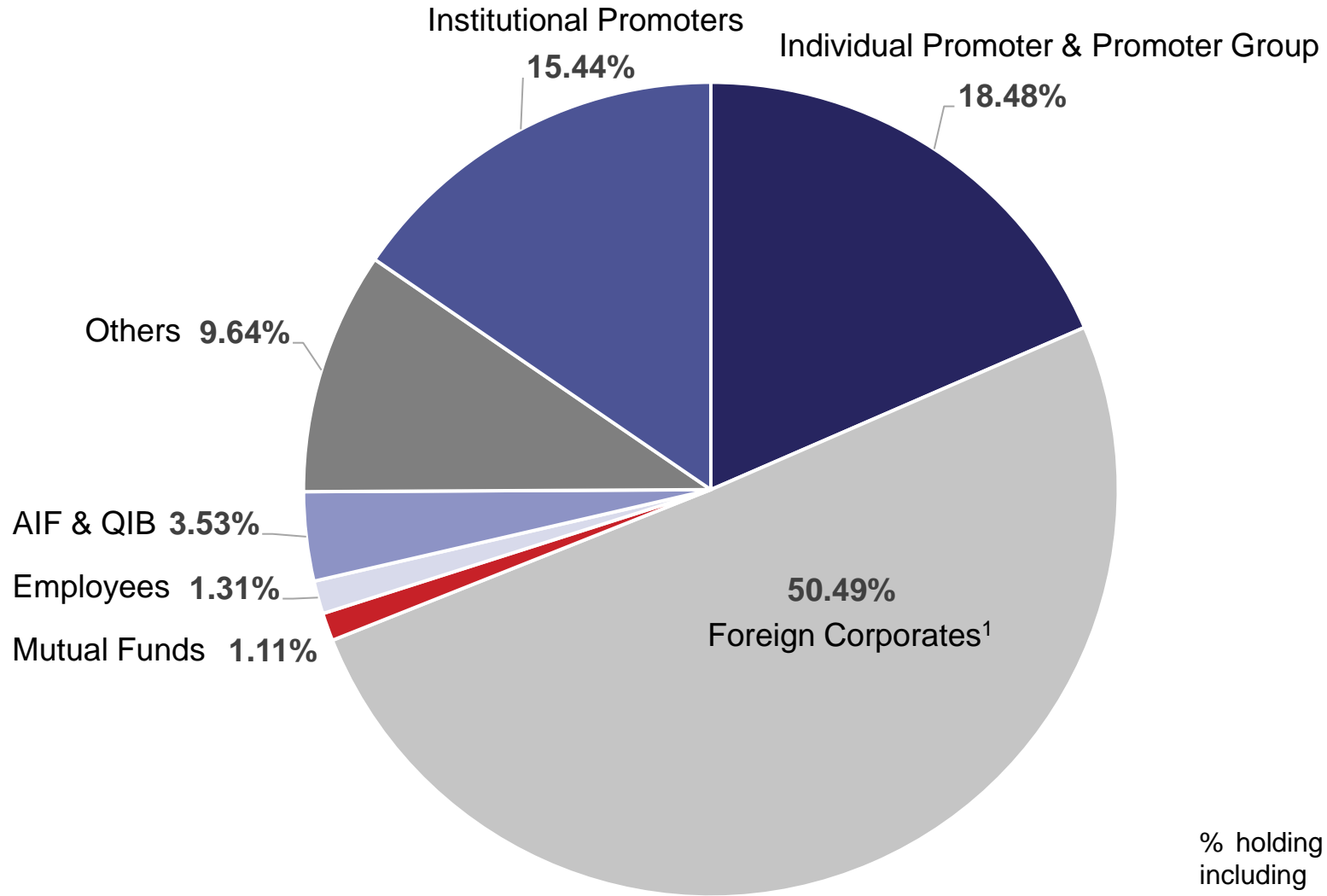
- ★ Built to take advantage of the large addressable market and credit gap
- ★ Deep understanding of customer behavior; strong knowledge of the local market and regional dynamics
- ★ Success and growth of Five-Star are outcomes of the last two decades of operating in the segment
- ★ Recognized market 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**

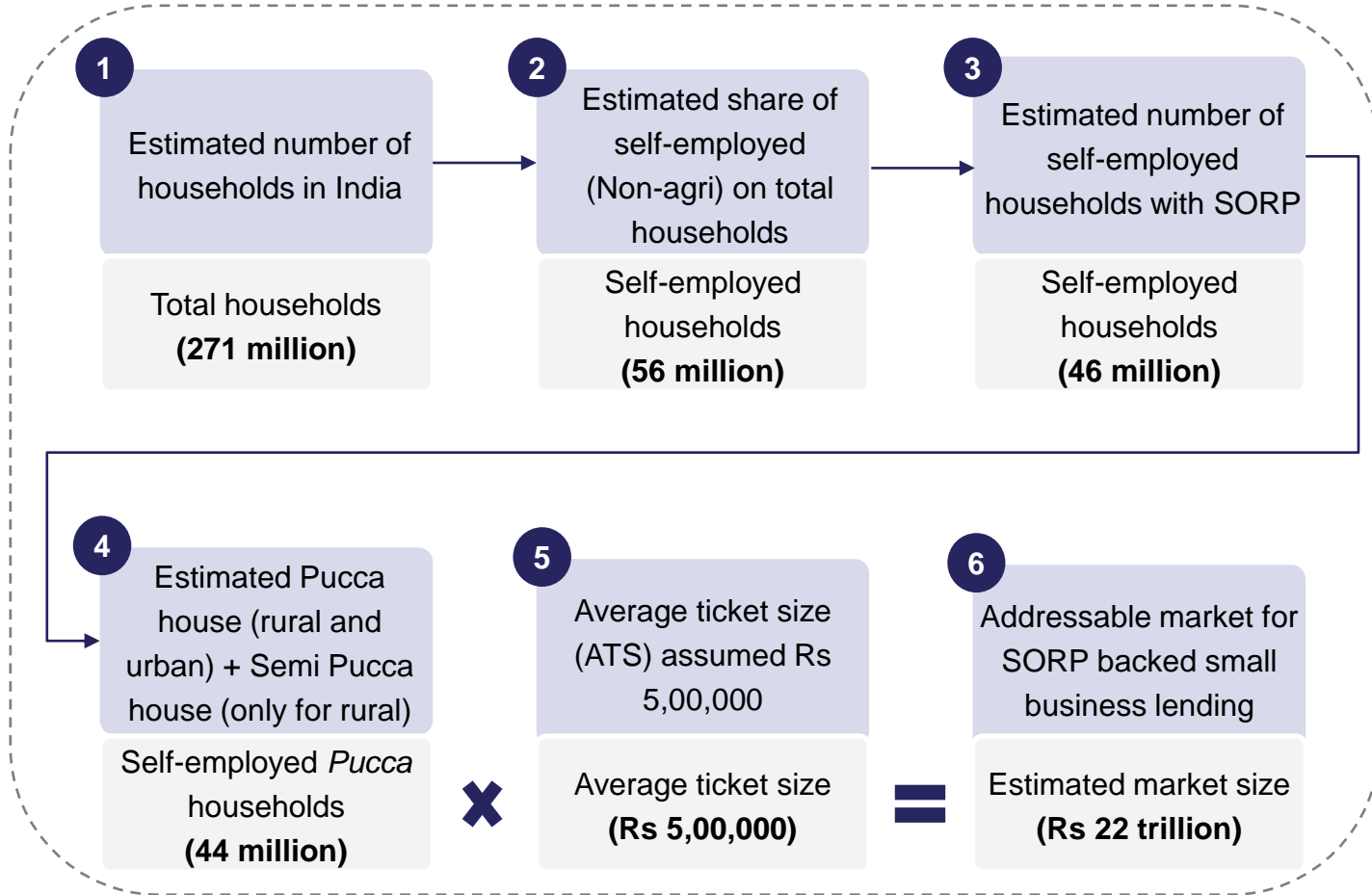
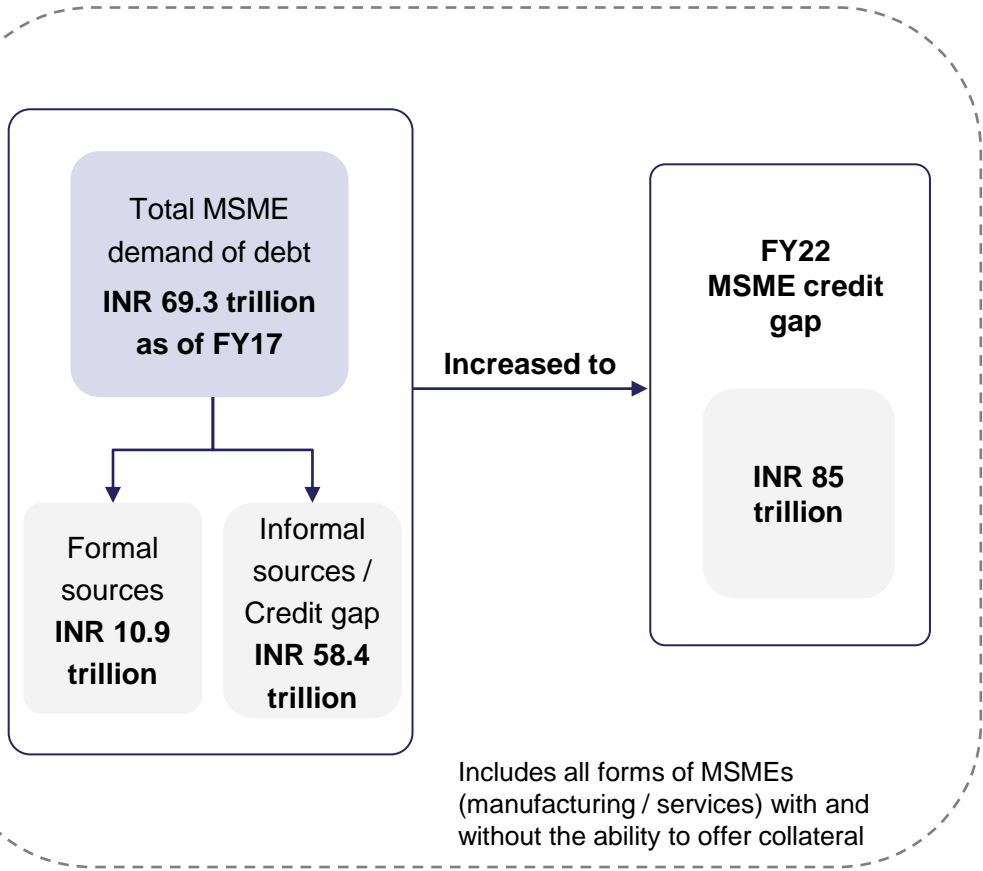
	FY15		FY23
<b>Number of Branches</b>	39	~10x	373
<b>Loans to borrowers ('000)</b>	5	~60x	294
<b>Relationship Officers</b>	59	~70x	4,003 <sup>1</sup>
<b>Disbursements (₹ Mn) p.a.</b>	793	>40x	33,914
<b>Assets Under Management (AUM) (₹ Mn)</b>	1,315	>50x	69,148
<b>Total Income (₹ Mn)</b>	336	>45x	15,289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

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 unvested and vested but unexercised options

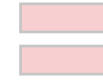
**Overall MSME Credit Gap** → **Target Addressable Market for Five Star**



**Large Market Opportunity**  
INR 22 Trillion<sup>1</sup>



**Strong Infrastructure of Five Star**  
Physical infra (386 branches) &  
Human infra (7,538 employees)



**Ability to Demonstrate 30%+ 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
<b>Verifiable income stream</b>	 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
<b>Formal documentation</b>	 Formal & structured – records of IT returns available	 Semi-formal – Have banking habit to the extent of business transactions	 Highly Informal –Have minimal banking habits
<b>Extent of ‘on the ground presence’ required</b>	 Presence of formal, verifiable documents reduces requirement	 Moderate level of physical verification required	 Ability to conduct physical verifications essential
<b>Credit history</b>	 Well documented	 Moderate level of documentation	 Nil or negligible credit history for medium / high ticket loans
<b>Credit discipline</b>	 Low variance – usually high discipline	 Moderate variance – on average high discipline	 High variance in segment with both high & low credit discipline observable
<b>Ability to offer collateral</b>	 Significant business assets to offer as collateral	 Moderate ability to offer business collateral	 Negligible business collateral – ability to offer personal collateral varies
<b>Assessment of collateral</b>	 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 DBR<sup>1</sup> 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
- 386 branches; 7,538 employees
- Contiguous expansion. Cautious approach to newer states

## Comprehensive credit assessment and robust risk management



### Sourcing and Underwriting

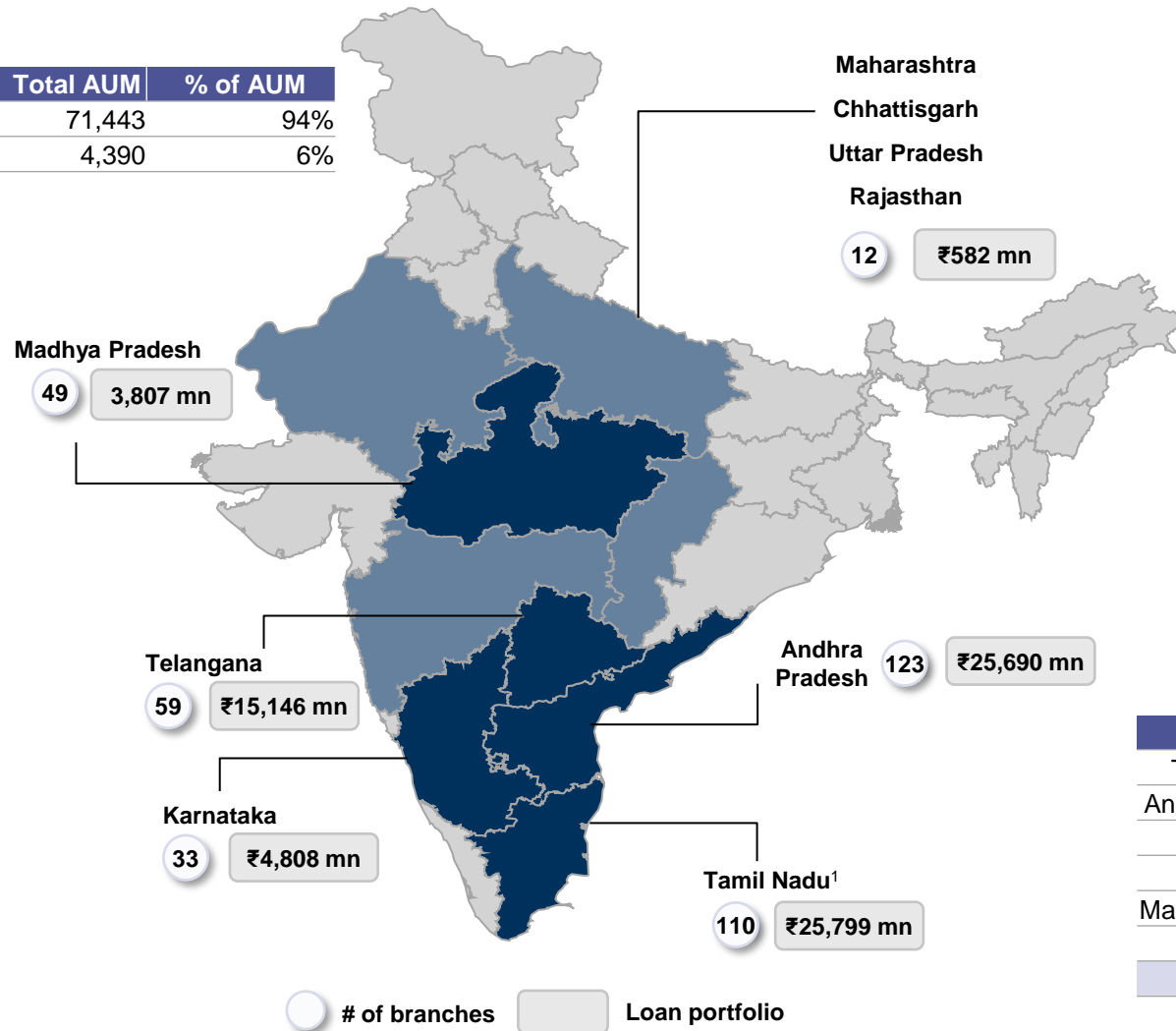
- 100% in-house sourcing and processing with focus on service-oriented business
- Assessment based on 3 Cs (Character, Cash flow and Collateral)
- Two levels of check each in business and in credit; conservative credit policies
- Assignment of co-applicants – Loans to the family and not individuals



### 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 settlement<sup>1</sup>

Geography	# branches	Total AUM	% of AUM
South India	325	71,443	94%
Rest of India	61	4,390	6%



Vintage-wise average AUM per branch (as of June 2023)		
Branch Vintage	No of branches	Average AUM
<=1 year	75	62
1 – 3 years	53	107
3 – 5 years	121	202
5 – 7 years	76	302
>7 years	61	298
<b>Total</b>	<b>386</b>	<b>196</b>

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	Q1FY2024	FY2023	FY2022	FY2021	FY2020
Tamil Nadu	110	34%	35%	39%	41%	43%
Andhra Pradesh	123	34%	33%	29%	28%	28%
Telangana	59	20%	20%	19%	18%	19%
Karnataka	33	6%	7%	7%	7%	7%
Madhya Pradesh	49	5%	5%	5%	4%	3%
Others	12	1%	1%	1%	1%	1%
<b>Total</b>	<b>386</b>					

**Strong South India presence coupled with clear aim to expand in Rest of India 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

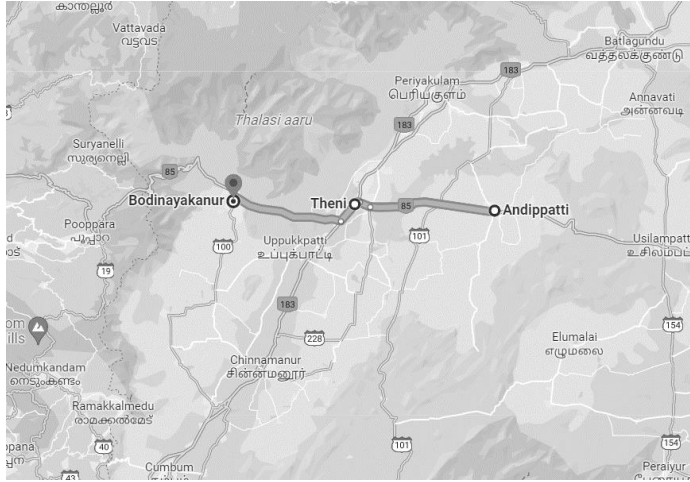
- When a branch reaches a reasonable size threshold (typically about 500 - 1,000 accounts), an evaluation is made, if it is worthwhile to open new branches in the region/ cluster to take advantage of the market opportunity

## 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

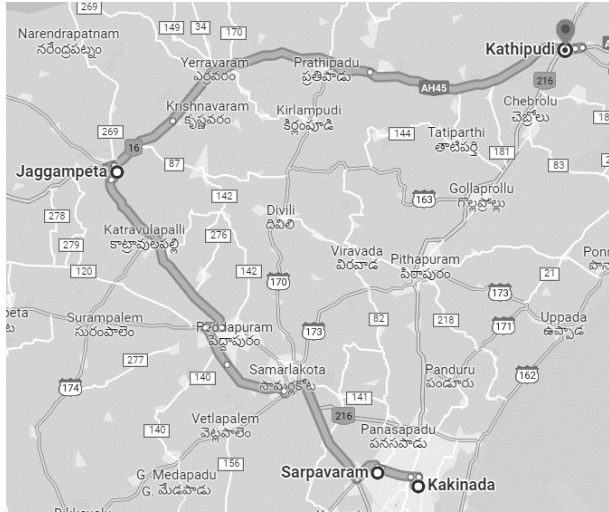
1. **Bodinayakkanur**: 16 KM from Theni. Opened in Jul 2018. 18 accounts got transferred from Theni to Bodinayakkanur on the day of opening.
2. **Andipatti**: 16 KM from Theni. Opened in Sep 2022. 300 accounts got transferred from Theni to Andipatti on the day of branch opening.

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
<b>Jun 2023 (Accounts)</b>	<b>1,670</b>	<b>1,366</b>	<b>458</b>	<b>3,494</b>
<b>June 2023 (Portfolio in ₹ Mn)</b>	<b>352</b>	<b>307</b>	<b>102</b>	<b>761</b>

*Standalone Theni Branch has only 1,670 accounts with a portfolio of ₹352 Mn However, Theni cluster has grown to 3,494 accounts with a total portfolio of ₹761 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
<b>Jul 2023 (Accounts)</b>	<b>1,846</b>	<b>1,455</b>	<b>663</b>	<b>679</b>	<b>4,643</b>
<b>Jul 2023 (Portfolio in ₹ Mn)</b>	<b>502</b>	<b>368</b>	<b>193</b>	<b>177</b>	<b>1,240</b>

Standalone Kakinada Branch has only 1,846 accounts with a portfolio of ₹502 Mn However, Kakinada cluster has grown to 4,643 accounts with a total portfolio of ₹1,240 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 38 IT personnel as on date
- Total IT spend (capex + opex, ex-HC) for FY23 and Q1FY24 was ₹193 mn and ₹168 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

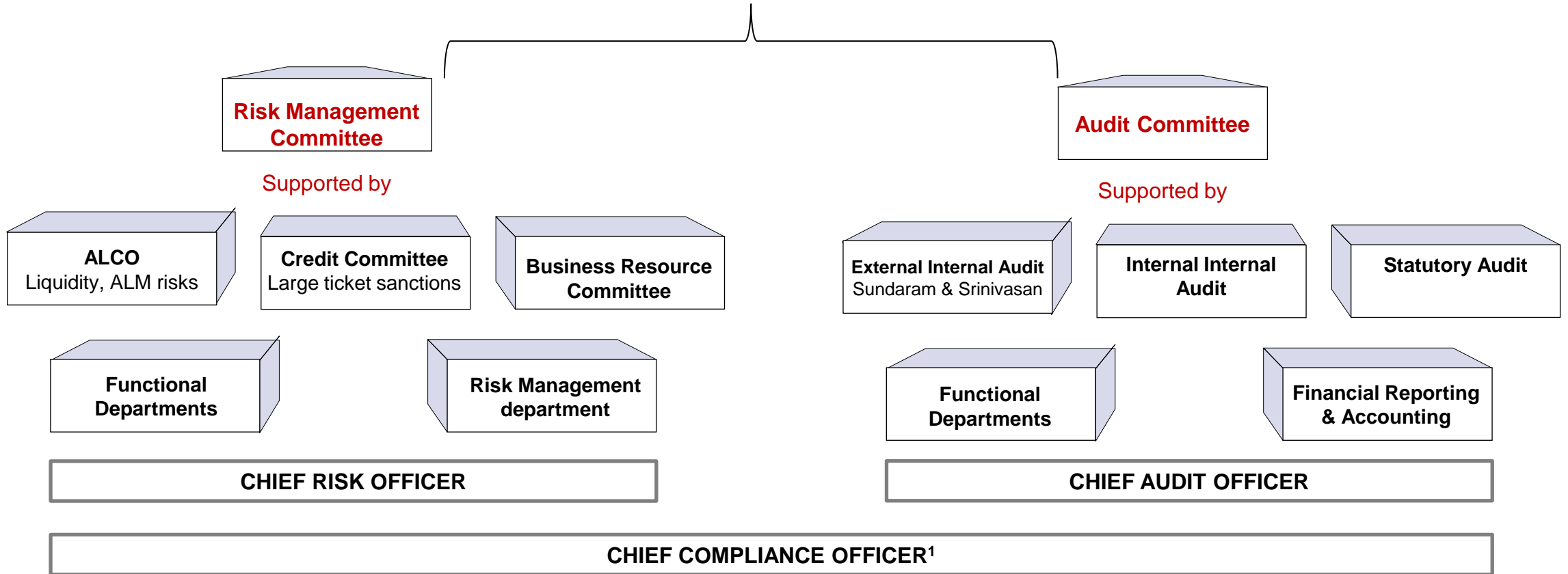
Utilizing technology for processing of loan applications and analysing credit risks

Faster decision making

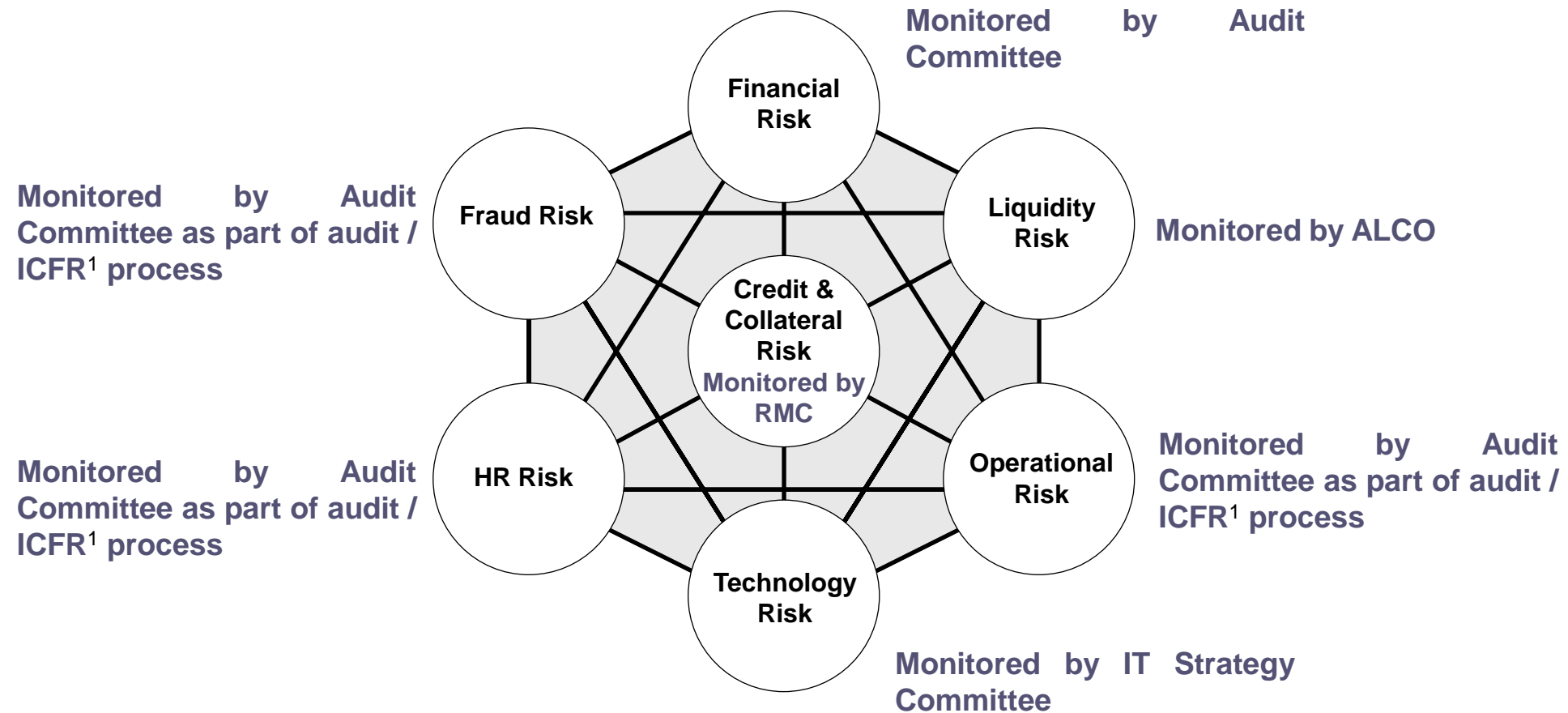
Better customer service and engagement and faster turnaround time



## 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**

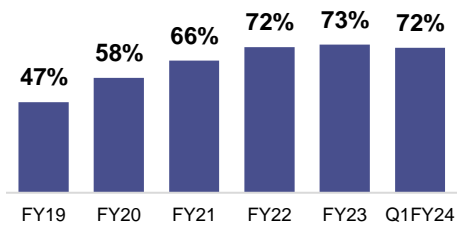
**Sustainable Business Model Built Around Societal Impact**



**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

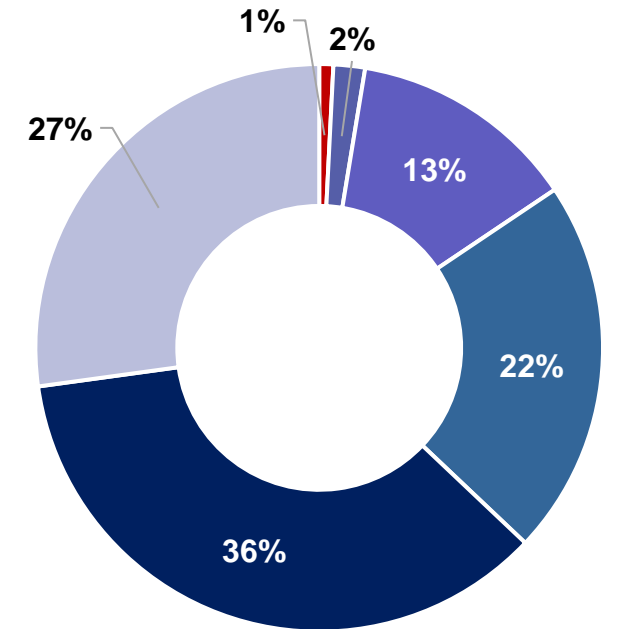
### Customers ignored by banks / larger FIs

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

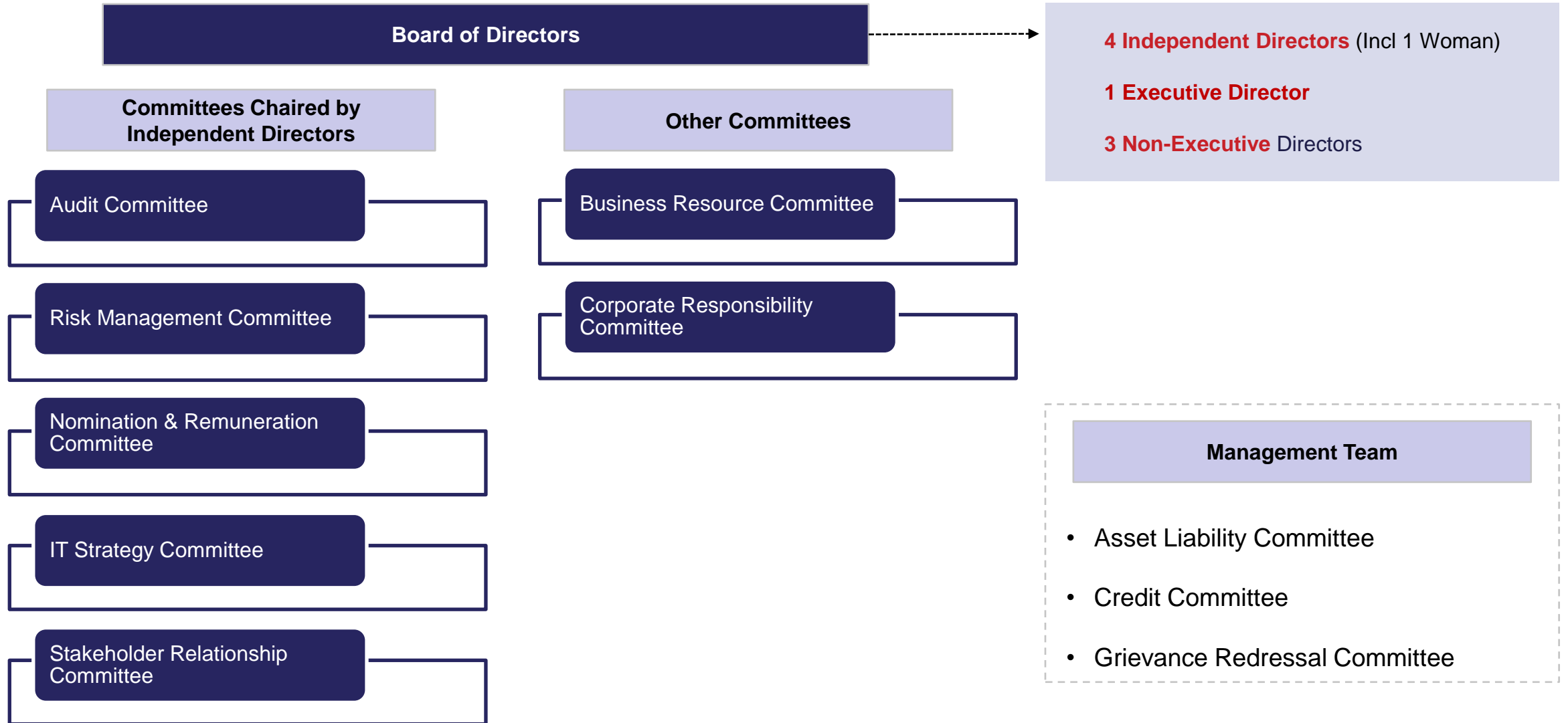
### Lending for business purposes

- 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



■ Tier1 ■ Tier2 ■ Tier3 ■ Tier4 ■ Tier5 ■ Tier6



# 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



Bhama Krishnamurthy  
Independent Director  
Chair – Nomination & Remuneration Committee



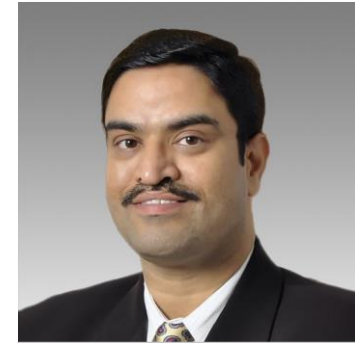
Ramkumar Ramamoorthy  
Independent Director  
Chair – IT Strategy Committee



Vikram Vaidyanathan  
Non-Executive Director<sup>1</sup>



G V Ravishankar  
Non-Executive Director<sup>2</sup>



Thirulokchand 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

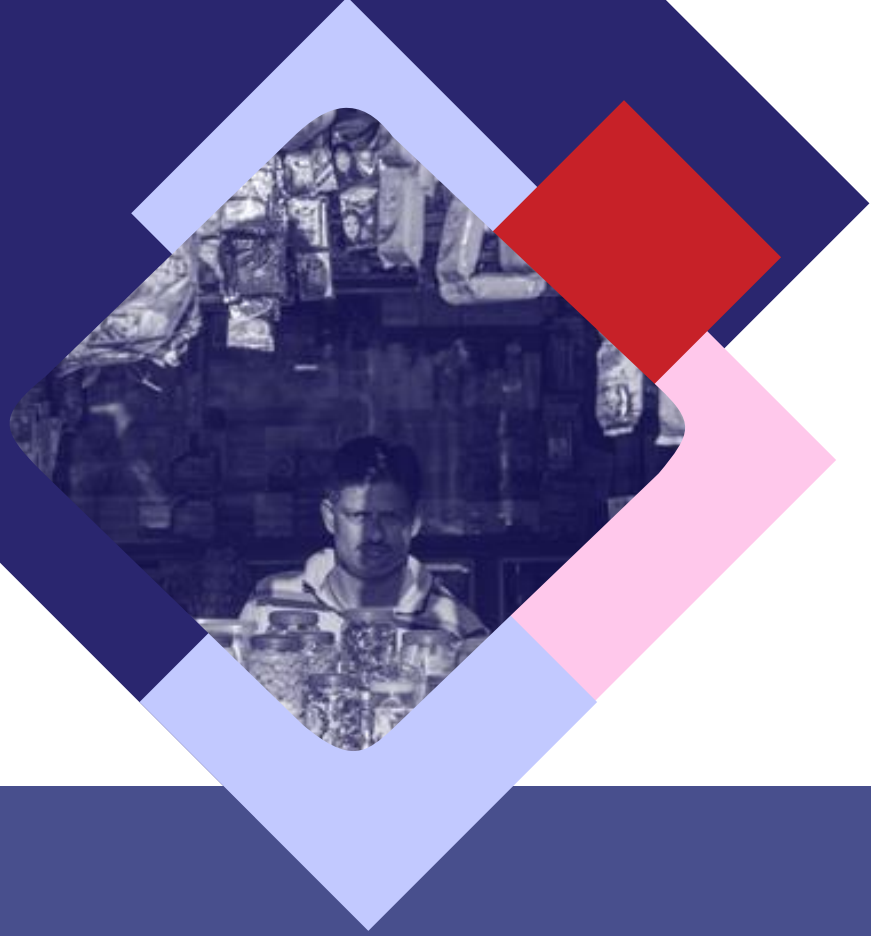


Sai Suryanarayana  
Chief People Officer

# Consistent Financial Performance over the years<sup>1</sup>

Particulars (₹ Mn)	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
<b>Operational Information</b>									
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
<b>Financial Information</b>									
Total Income	336	473	859	2,082	4,089	7,873	10,513	12,562	15,289
Interest expenses <sup>2</sup>	104	141	237	578	769	2,156	3,261	2,984	2,636
<b>Net Interest Income (NII)</b>	<b>232</b>	<b>332</b>	<b>622</b>	<b>1,504</b>	<b>3,320</b>	<b>5,717</b>	<b>7,252</b>	<b>9,578</b>	<b>12,653</b>
Operating Expenses <sup>3</sup>	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
<b>Profit Before Tax (PBT)</b>	<b>152</b>	<b>203</b>	<b>308</b>	<b>786</b>	<b>2,184</b>	<b>3,493</b>	<b>4,764</b>	<b>6,042</b>	<b>8,047</b>
<b>Profit After Tax (PAT)</b>	<b>99</b>	<b>134</b>	<b>194</b>	<b>558</b>	<b>1,567</b>	<b>2,620</b>	<b>3,589</b>	<b>4,535</b>	<b>6,035</b>
Total Comprehensive Income	99	134	194	558	1,563	2,608	3,582	4,513	6,013
<b>Ratios</b>									
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 <sup>4</sup>	1.81%	1.82%	2.47%	1.43%	0.89%	1.37%	1.02%	1.05%	1.36% <sup>5</sup>
Net Stage 3 assets <sup>6</sup>	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





## Section 3

# Executive Summary – Q1FY2024

## Scale of Operations



**₹75.8bn / ₹53.0bn**  
AUM in Q1FY24 / Q1FY23  
43% growth Y-o-Y



**₹11.3bn / ₹5.7bn**  
Amount Disbursed in  
Q1FY24 / Q1FY23



**33,735 / 20,099**  
Number of Disbursements in  
Q1FY24 / Q1FY23



**₹45.3bn**  
Net Worth

## Distribution



**386**  
Number of Branches



**4,105**  
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 size<sup>1</sup> for  
loans disbursed in Q1FY24



**317,149**  
Live accounts<sup>2</sup>



**38.1%**  
Average LTV<sup>3</sup>  
(As of June 30, 2023)

## Asset Quality



**1.41%**  
Q1FY24<sup>4</sup>  
Gross Stage 3 Assets



**0.79%**  
Q1FY24<sup>5</sup>  
Net Stage 3 Assets



**0.70%**  
Q1FY24 Credit Cost to  
Average Total Assets<sup>6</sup>



**0.76% / 49.16%**  
Total Restructured Portfolio /  
Provision Coverage on  
restructured book

## Liability Profile



**48**  
Lender relationships



**60.27%**  
CRAR – Sufficient capital



**Borrowing profile**  
Well-diversified profile with  
fixed rate borrowings of  
27.0%



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

## Profitability



**₹1.8bn / ₹1.4bn**  
PAT for Q1FY24 / Q1FY23  
32% growth Y-o-Y



**17.74%**  
Net Interest Margin<sup>7</sup> for  
Q1FY24

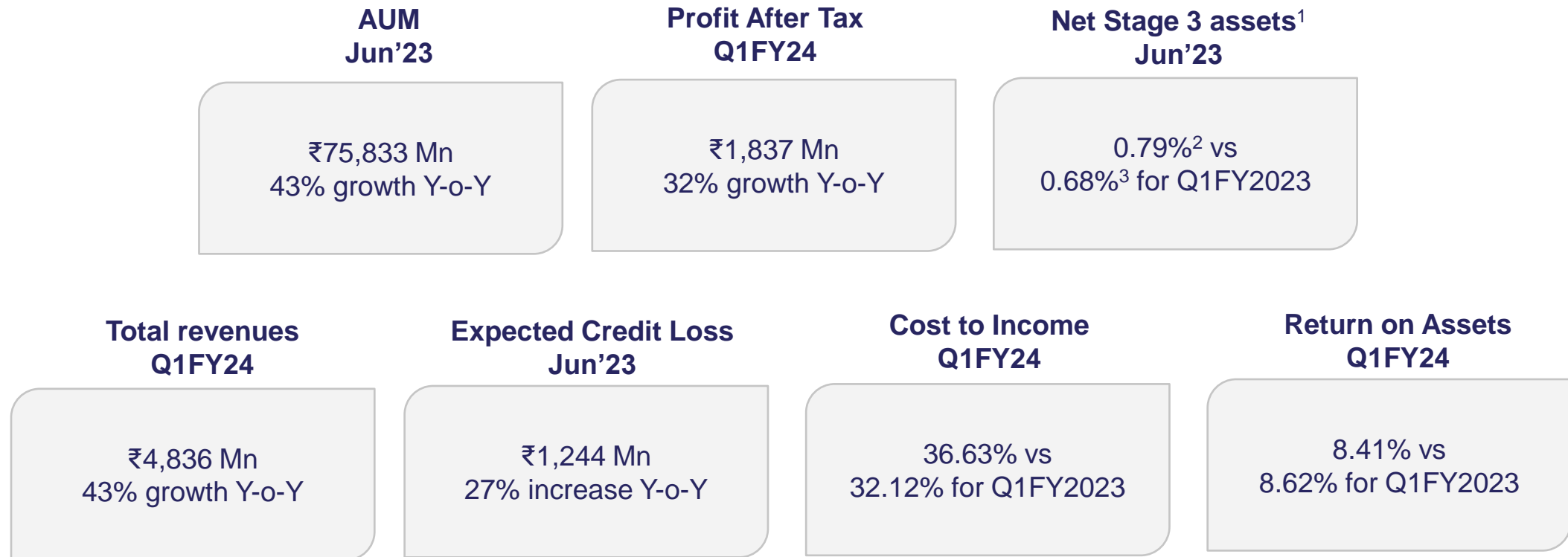


**8.41%**  
Return on Total Assets for  
Q1FY24



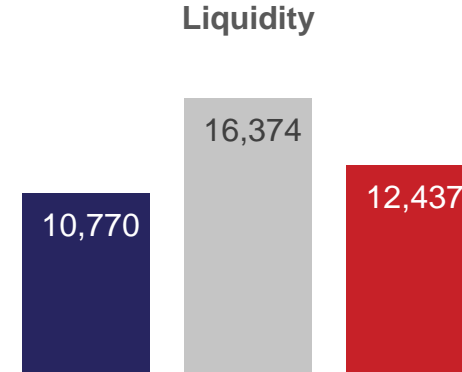
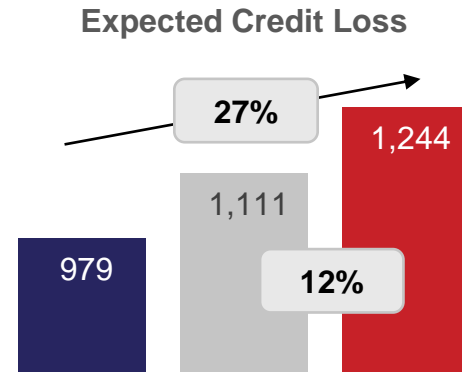
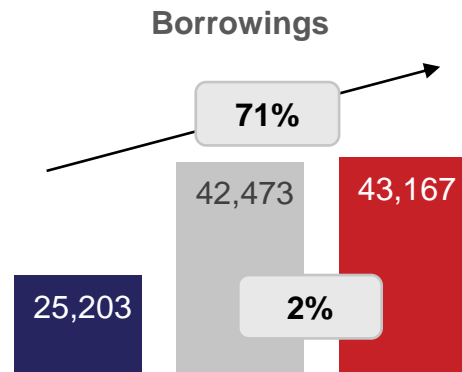
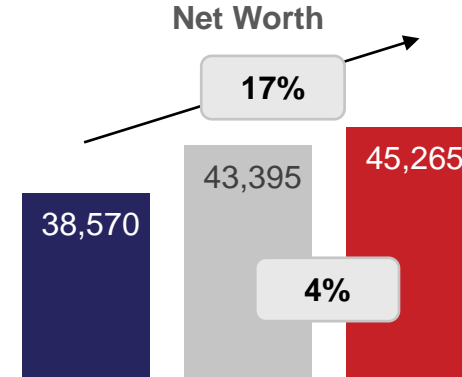
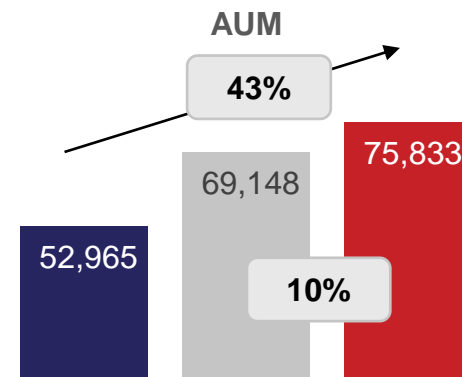
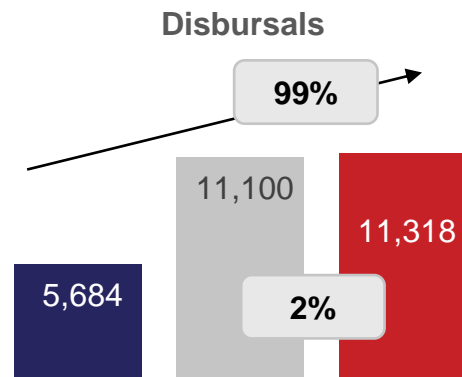
**16.62%**  
Return on Avg. Equity<sup>8</sup> for  
Q1FY24

- Five Star witnessed a very atypical quarter in Q1FY2024 across Growth, Profitability and Quality. Most of the numbers stacked up better than Q4FY2023
- Robust disbursements coupled with strong asset quality showing betterment across various DPD buckets
- Y-o-Y growth of 43% on AUM and Gross Stage 3 Assets of 1.41%



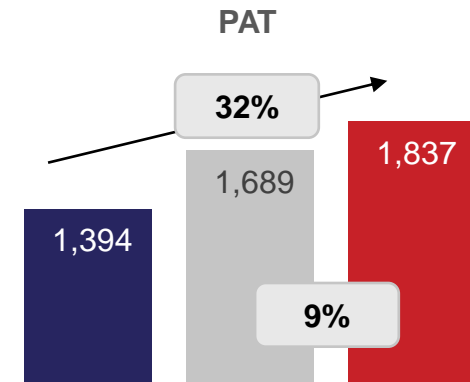
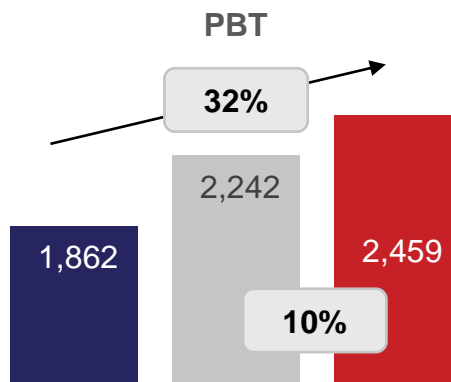
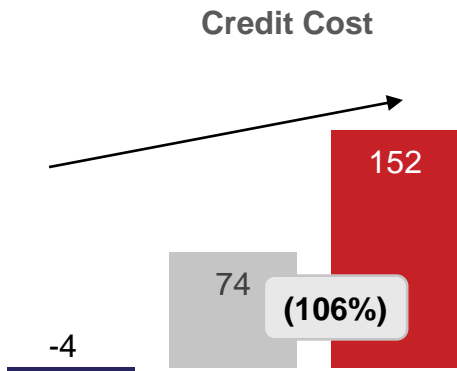
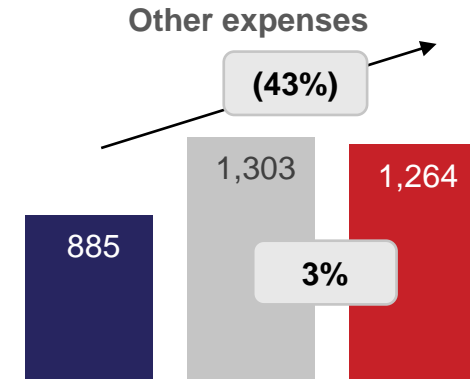
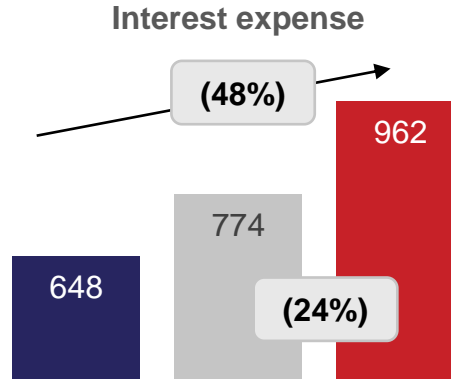
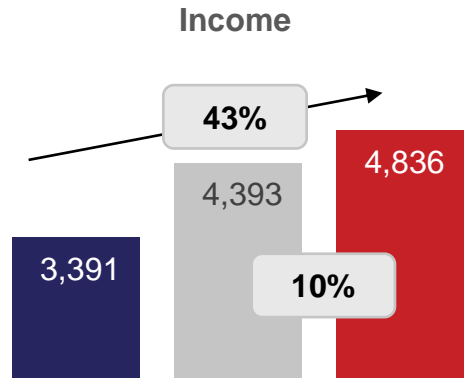
Notes: 1. Gross Stage 3 Assets reduced by impairment allowance on such loans expressed as a percentage of AUM; 2. Computed as per guidelines stipulated by RBI vide their circulars on Prudential Norms on Income recognition and Asset classification dated Nov 12, 2021 and Feb 15, 2022 (wherein implementation 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



Q1FY23    Q4FY23    Q1FY24

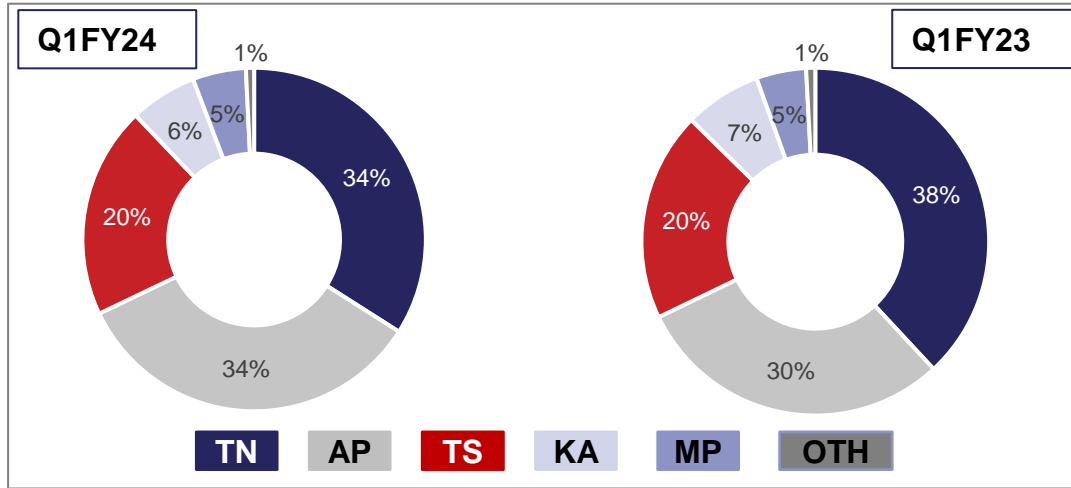
All amounts in ₹ Mn



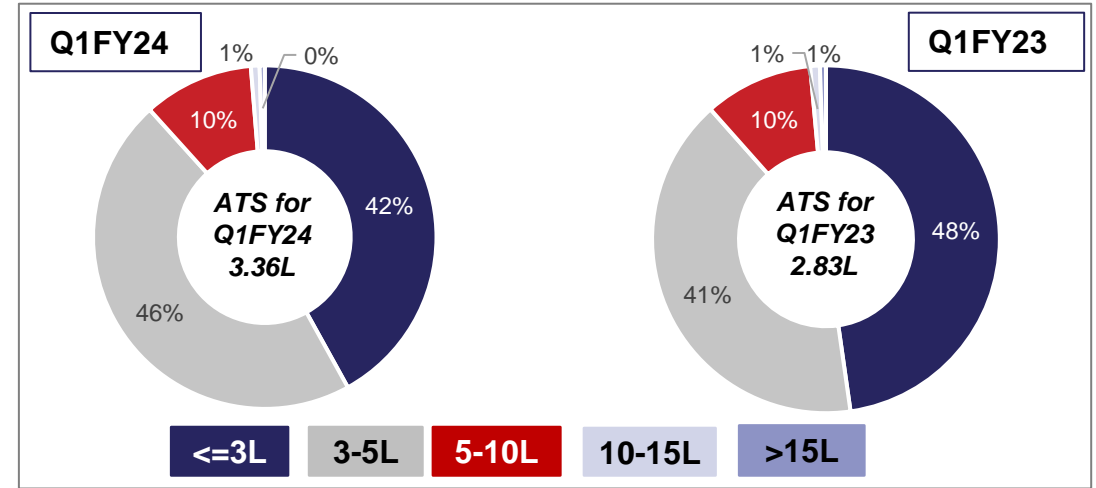
Q1FY23    Q4FY23    Q1FY24

# Well Diversified Portfolio across Parameters

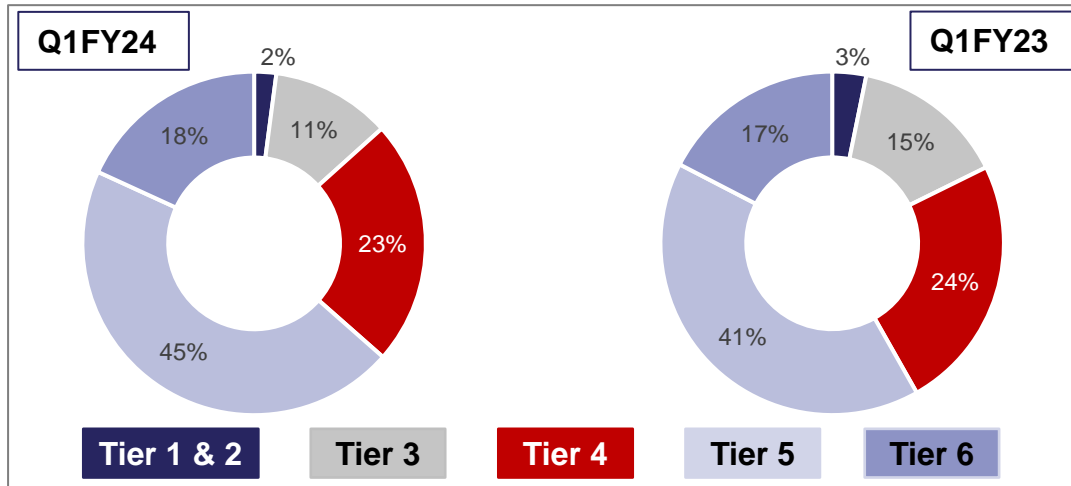
### AUM by Geography



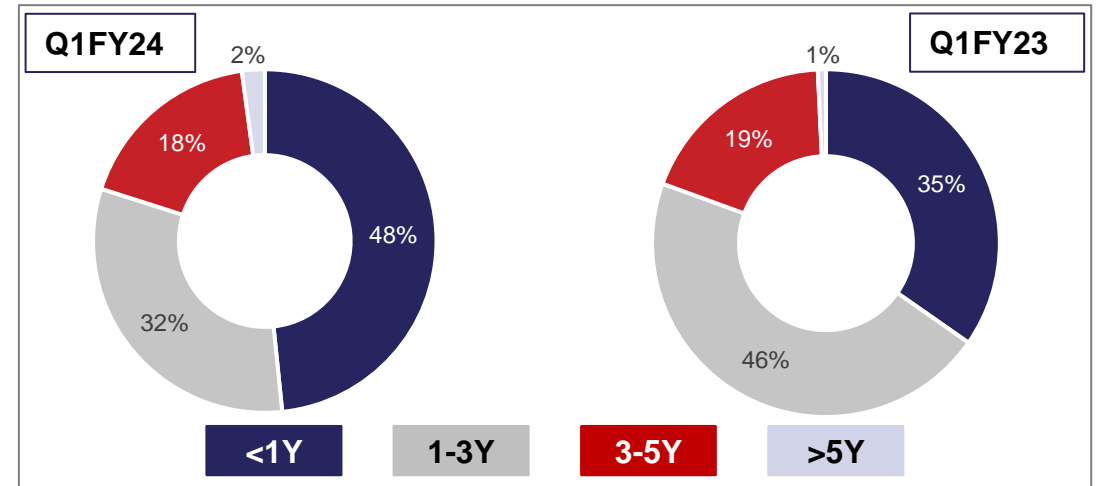
### AUM by Ticket Size<sup>1</sup>



### AUM by Branch Tier<sup>2</sup>



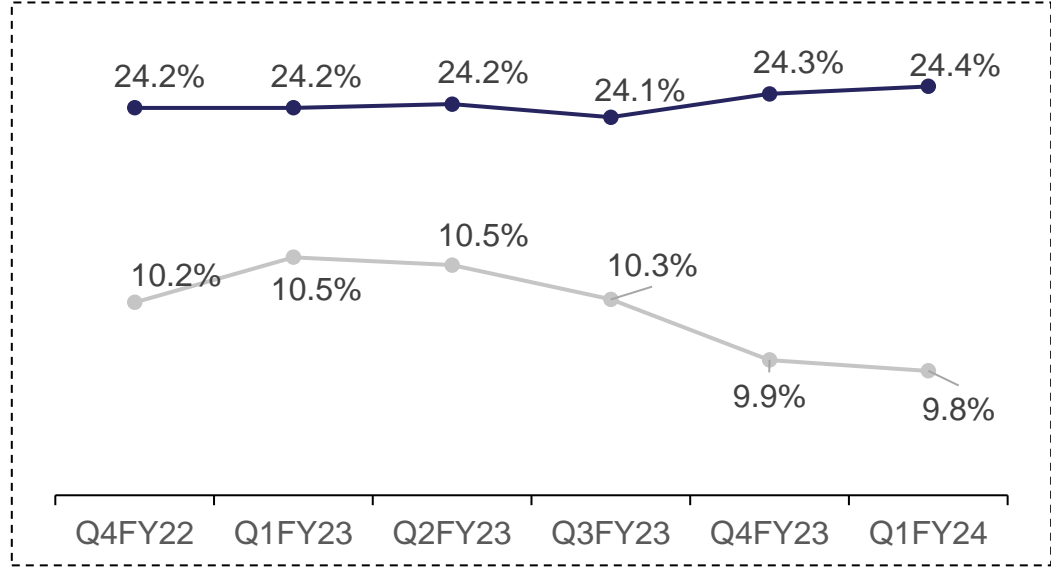
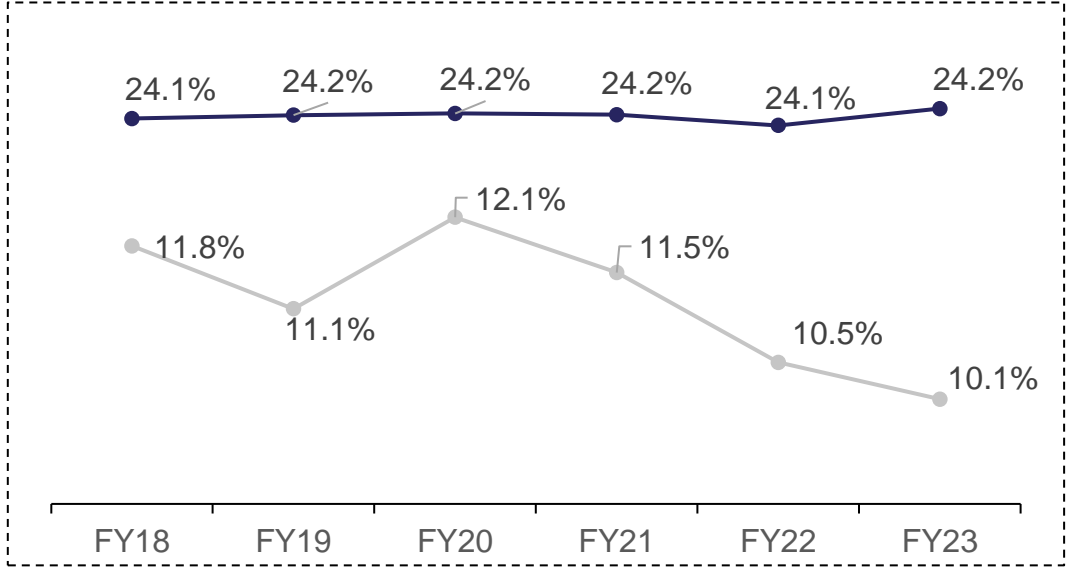
### AUM by Vintage of loans



Notes: 1. Ticket size / Sanctioned tenor are at the time of loan sanction; 2. 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

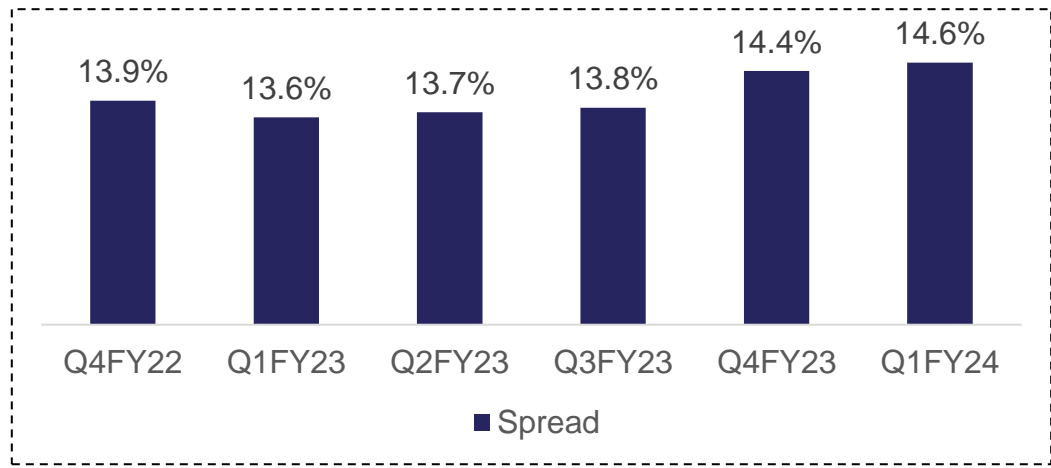
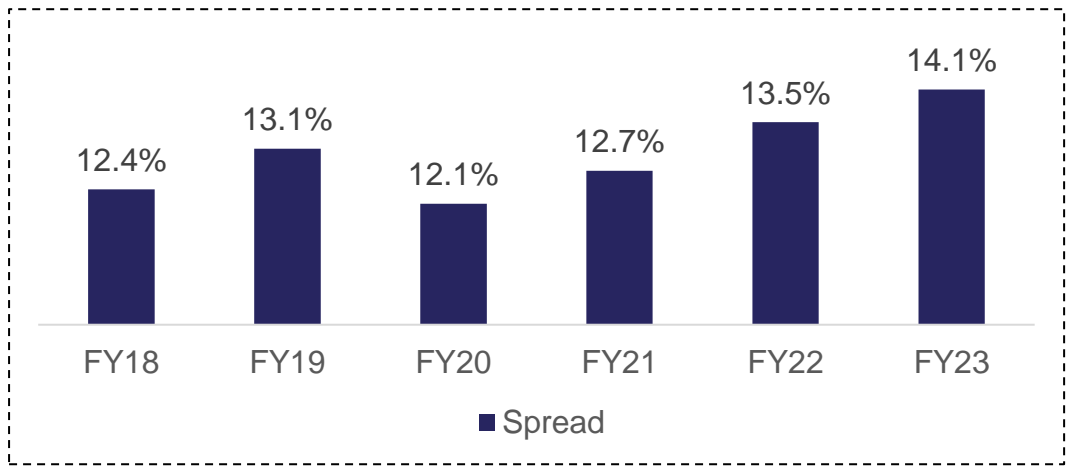
# Consistent & Best-in-class Spreads

— Portfolio Yield    — Cost of borrowing    ■ Spread



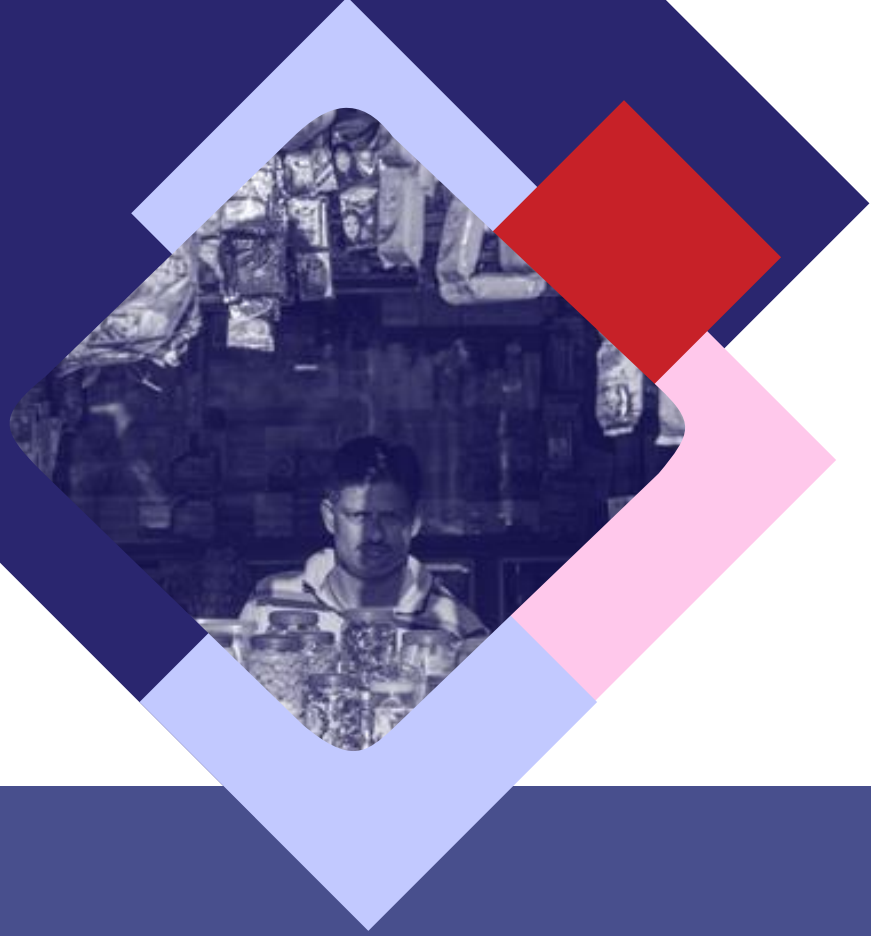
No yield increases done even during a difficult interest rate cycle

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



1. Net Q-o-Q AUM growth of ₹6,685 Mn in Q1FY24 as against ₹2,294 Mn in Q1FY23. AUM was up 43% Y-o-Y at ₹75,833 Mn as against ₹52,965 Mn as of June 30, 2022.
2. Disbursements during the quarter was at ₹11,318 Mn as against ₹5,684 Mn during Q1FY23.
3. Active loans at 0.32 Mn as against 0.23 Mn as of June 30, 2022.
4. The Company added 13 branches during the quarter. Total branch count stood at 386 as against 311 branches as of June 30, 2022.
5. Total Headcount stood at 7,538 as against 6,077 as of June 30, 2022.
6. Collections efficiency for the quarter stood at 99.6%. This is in line with typical Q1 levels, which tends to be slightly lower as compared to the previous quarter of Q4 (generally the best quarter in a financial year).
7. During Q1FY2024, the company has received sanctions for incremental debt of ₹8,900 Mn, availing disbursal of ₹7,300 Mn at a weighted average rate of interest of 9.18% (all-inclusive cost of 9.50%<sup>1</sup> on fresh borrowings raised during this period). Liquidity buffer as of June 30, 2023 stood at about ₹12,437 Mn.
8. During the quarter, CARE Ratings also upgraded the rating of the Company to AA Minus (AA-).
9. Gross & Net Stage 3 assets stood at 1.41%<sup>2</sup> and 0.79%<sup>2</sup> respectively as of June 30, 2023 as against 1.12%<sup>3</sup> and 0.68%<sup>3</sup> as of June 30, 2022. Loans which were overdue for more than 90 days as of June 30, 2023 stood at 1.08% (gross) and 0.56% (net).
10. Overall Stage 2 assets stood at ₹6,270 Mn (8.27%) as of June 30, 2023 as against ₹7,730 Mn (14.59%) as of June 30, 2022 and ₹6,325 Mn (9.15%) as of March 31, 2023.
11. The Provision coverage on Stage 3 assets stood at 44.19% and the provision coverage on the overall portfolio stood at 1.64%.
12. Post tax profit grew by 32% to ₹1,837 Mn in Q1FY24 as compared to ₹1,394 Mn in Q1FY23.
13. Capital adequacy remained high at 60.27%

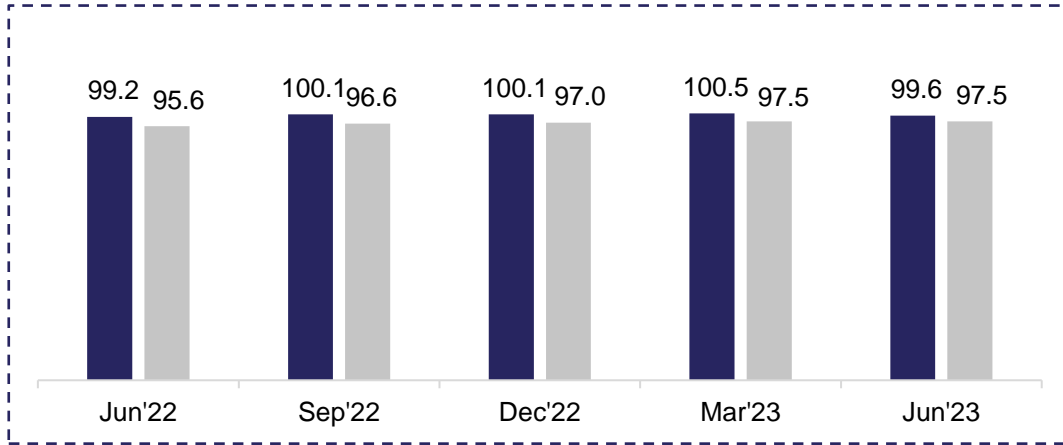




## Section 3

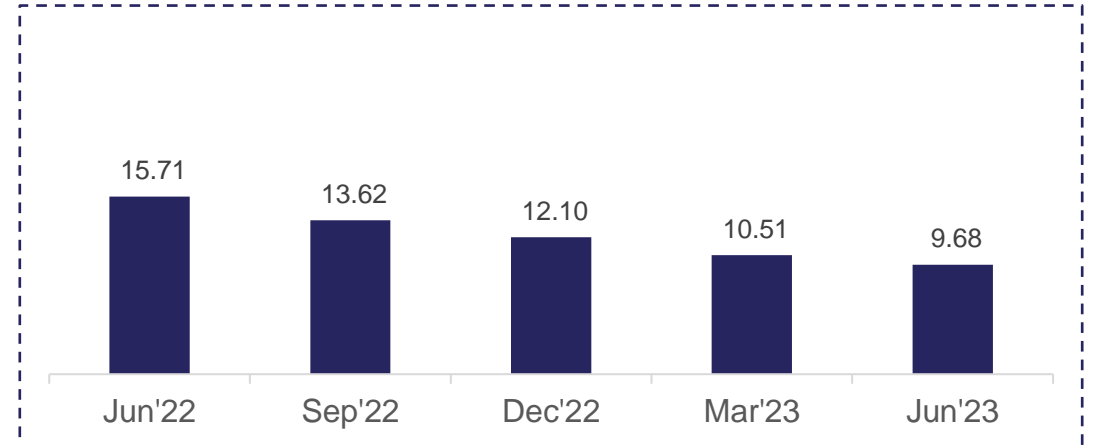
# Asset Quality & ECL

## Collections Efficiency (%)

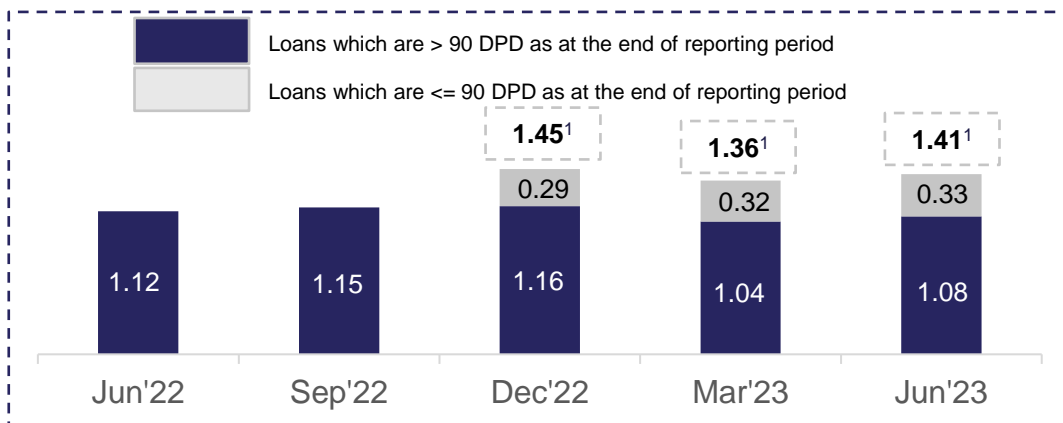


Amount of EMI received during the month (including arrears of previous months) divided by EMI demand for the current month  
 Amount of EMI received during the month, restricted to a max of 1 EMI per loan divided by EMI demand for the current month

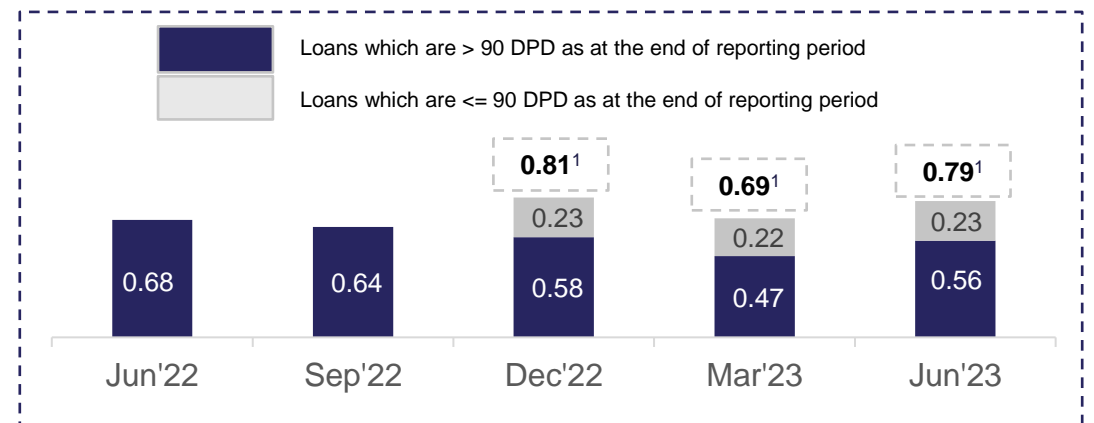
## 30+ (%)



## 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 Gross NPA, expressed as a % of AUM

Amount in ₹ Mn	As at Jun 2023 <sup>1</sup>		As at Mar 2023 <sup>1</sup>		As at Jun 2022 <sup>2</sup>	
	AUM	% AUM	AUM	% AUM	AUM	% AUM
<b>Bucket</b>						
Current (Stage-1)	64,281	84.77%	57,743	83.51%	39,566	74.70%
1-30 (Stage-1)	4,210	5.55%	4,140	5.99%	5,077	9.59%
31-60 (Stage-2)	3,130	4.13%	3,140	4.54%	4,071	7.69%
61-90 (Stage-2)	3,140	4.14%	3,185	4.61%	3,659	6.91%
90+ (Stage-3)	1,072	1.41%	939	1.36%	591	1.12%
<b>Total</b>	<b>75,833</b>		<b>69,148</b>		<b>52,965</b>	
Stage 1 Assets	68,491	90.32%	61,884	89.49%	44,644	84.29%
Stage 2 Assets	6,270	8.27%	6,325	9.15%	7,730	14.59%
Stage 3 Assets	1,072	1.41%	939	1.36%	591	1.12%

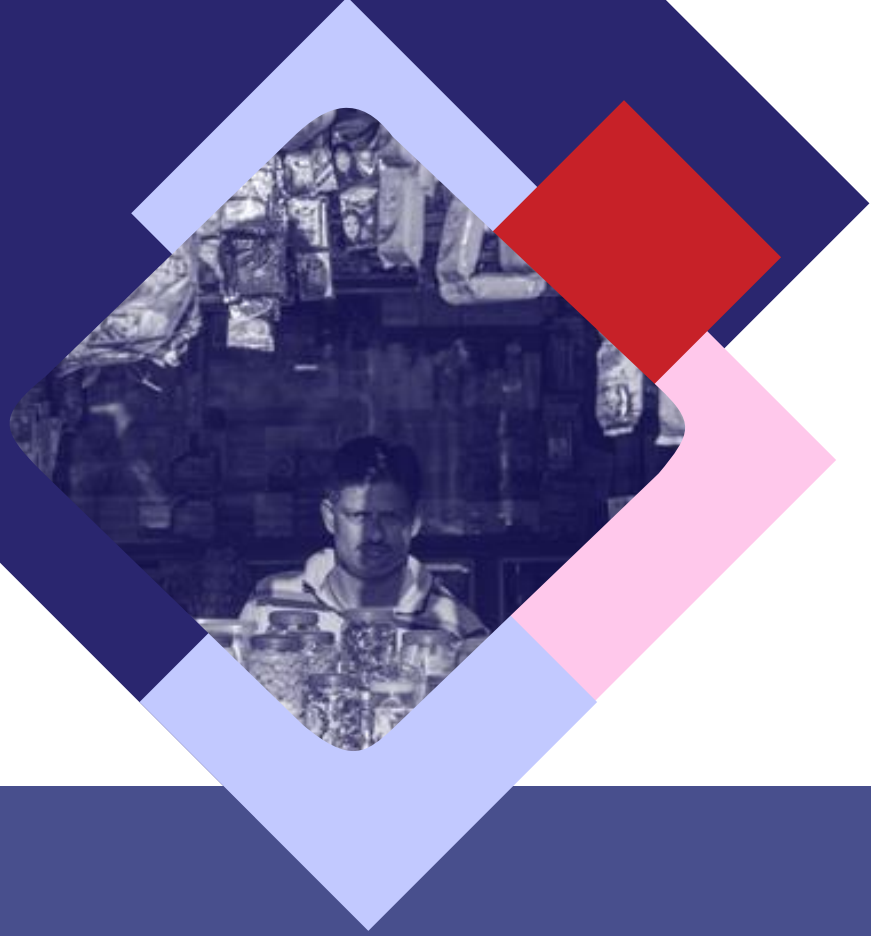
**Improvement across buckets during Q4, not just in % terms but also in terms of absolute quantum**

Amount in ₹ Mn				
<b>As of June 30, 2023<sup>1</sup></b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Loans Outstanding (Gross)	68,491	6,270	1,072	75,833
ECL Provision	278	493	474	1,244
Loans Outstanding (Net)	68,214	5,777	598	74,589
<b>ECL Provision %</b>	<b>0.41%</b>	<b>7.86%</b>	<b>44.19%</b>	<b>1.64%</b>
<b>As of March 31, 2023<sup>1</sup></b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
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
<b>ECL Provision %</b>	<b>0.33%</b>	<b>7.01%</b>	<b>49.33%</b>	<b>1.61%</b>
<b>As of June 30, 2022<sup>2</sup></b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Loans Outstanding (Gross)	44,644	7,730	591	52,965
ECL Provision	142	605	232	979
Loans Outstanding (Net)	44,502	7,125	359	51,986
<b>ECL Provision %</b>	<b>0.32%</b>	<b>7.83%</b>	<b>39.26%</b>	<b>1.85%</b>

Amount in ₹ Mn	Q1FY2024	Q1FY2023	Q1FY2022	Q1FY2021
Loan Portfolio	75,833	52,965	45,794	38,674
Gross Stage 3 assets	1,072 <sup>1</sup>	591 <sup>1</sup>	767 <sup>2</sup>	535 <sup>2</sup>
Gross Stage 3 assets %	1.41%	1.12%	1.68%	1.38%
Gross Stage 3 assets % - 1 year Lag	2.02%	1.29%	1.98%	2.20%
Gross Stage 3 assets % - 2 years Lag	2.34%	1.53%	3.16%	4.38%

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 – Q1FY2024

Particulars (₹ Mn)	Q1FY2024	Q4FY2023	Q1FY2023
<b>Assets</b>			
Cash & Cash equivalents	8,435	13,404	4,096
Bank balances other than cash & cash equivalents	1,249	2,405	3,036
Loans <sup>1</sup>	74,776	68,222	54,543
Investments	3,556	1,446	1,892
Other financial assets <sup>2</sup>	395	356	191
Non-Financial Assets	1,294	1,195	925
<b>Total Assets</b>	<b>89,705</b>	<b>87,028</b>	<b>64,684</b>
<b>Liabilities &amp; Equity</b>			
Trade Payables	200	201	109
Debt Securities	2,615	5,248	9,474
Borrowings other than Debt Securities	40,552	37,224	15,729
Other Financial Liabilities <sup>2</sup>	549	608	547
Non-Financial Liabilities	524	352	255
Total Equity	45,265	43,395	38,570
<b>Total Liabilities &amp; Equity</b>	<b>89,705</b>	<b>87,028</b>	<b>64,684</b>

# Quarterly & Yearly Profit & Loss Statement

Particulars (₹ Mn)	Q1FY2024	Q1FY2023	Q4FY2023	Y-o-Y	Q-o-Q	FY2023	FY2022	Y-o-Y
Loan Portfolio	75,833	52,965	69,148	43%	10%	69,148	50,671	37%
Interest Income	4,637	3,352	4,235			14,988	12,038	
Net Gain on Fair value changes	112	15	36			83	209	
Fee & Other income	86	23	122			219	316	
<b>Total Income</b>	<b>4,836</b>	<b>3,391</b>	<b>4,393</b>	<b>43%</b>	<b>10%</b>	<b>15,289</b>	<b>12,562</b>	<b>22%</b>
Interest Expenses <sup>1</sup>	962	648	774			2,663	3,006	
<b>Net Interest Income</b>	<b>3,874</b>	<b>2,743</b>	<b>3,619</b>	<b>41%</b>	<b>7%</b>	<b>12,626</b>	<b>9,556</b>	<b>32%</b>
Operating Expenses	1,263	885	1,302			4,378	3,059	
Loan losses & Provisions	152	(4)	74			201	455	
<b>Profit before Tax (PBT)</b>	<b>2,459</b>	<b>1,862</b>	<b>2,242</b>	<b>32%</b>	<b>10%</b>	<b>8,047</b>	<b>6,042</b>	<b>33%</b>
<b>Profit after Tax (PAT)</b>	<b>1,837</b>	<b>1,394</b>	<b>1,689</b>	<b>32%</b>	<b>9%</b>	<b>6,035</b>	<b>4,535</b>	<b>33%</b>
Other Comprehensive Income	(18)	(7)	7			(22)	(22)	
<b>Total Comprehensive Income</b>	<b>1,819</b>	<b>1,387</b>	<b>1,696</b>	<b>31%</b>	<b>7%</b>	<b>6,013</b>	<b>4,513</b>	<b>33%</b>
Earnings Per Share (Basic) <sup>2</sup>	6.30	4.79	5.79			20.71	16.09	
Earnings Per Share (Diluted) <sup>2</sup>	6.24	4.74	5.73			20.49	15.92	
Book value per Share	153.17	130.52	146.84			146.84	125.56	



Particulars	Q1FY2024	Q1FY2023	Q4FY2023	FY2023	FY2022
Interest Income (as a % of average portfolio)	24.44%	24.15%	24.30%	24.23%	24.05%
Interest Expenses (as a % of average borrowings)	9.80%	10.53%	9.87%	10.12%	10.51%
<b>Net Interest Income %</b>	<b>14.64%</b>	<b>13.62%</b>	<b>14.43%</b>	<b>14.11%</b>	<b>13.54%</b>
Total Income % (as a % of average total assets) <sup>1</sup>	22.15%	20.98%	22.42%	21.84%	19.84%
Interest Expenses (as a % of average total assets) <sup>1</sup>	4.41%	4.01%	3.95%	3.80%	4.75%
<b>Net Interest Margin %</b>	<b>17.74%</b>	<b>16.97%</b>	<b>18.47%</b>	<b>18.04%</b>	<b>15.09%</b>
Operating Expenses (as a % of average total assets) <sup>1</sup>	5.78%	5.47%	6.65%	6.26%	4.83%
Loan losses & Provisions (as a % of average total assets) <sup>1</sup>	0.70%	(0.02%)	0.38%	0.29%	0.72%
<b>Profit before Tax (PBT) %</b>	<b>11.26%</b>	<b>11.52%</b>	<b>11.44%</b>	<b>11.50%</b>	<b>9.54%</b>
Tax %	2.85%	2.89%	2.82%	2.87%	2.38%
<b>Profit after Tax (PAT) or Return on average total assets<sup>1</sup></b>	<b>8.41%</b>	<b>8.62%</b>	<b>8.62%</b>	<b>8.62%</b>	<b>7.16%</b>
Debt / Equity	0.95	0.65	0.98	0.98	0.69
Leverage (Total assets / Net worth) <sup>2</sup>	1.98	1.68	2.01	2.01	1.71
<b>Return on Equity</b>	<b>16.62%</b>	<b>14.78%</b>	<b>16.10%</b>	<b>15.03%</b>	<b>13.85%</b>
<b>Cost to income ratio</b>	<b>36.63%</b>	<b>32.12%</b>	<b>38.18%</b>	<b>36.40%</b>	<b>36.92%</b>



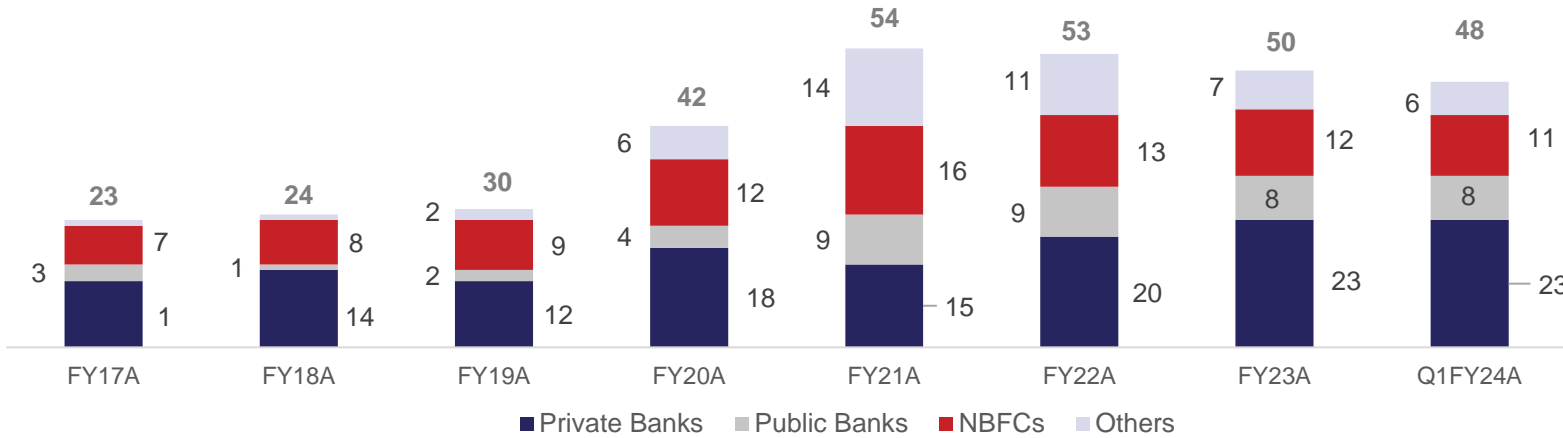
## Section 5

# Liability & ALM

# Diversified and Cost-Effective Funding Profile

## Well diversified borrowing mix

Number of lenders in each category



Increased number of lending relationships from 30 as of Mar 2019 to 48 as of Jun 2024

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

NIL Commercial Paper exposure

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

## Lenders to the Company

### Select Public Sector Banks



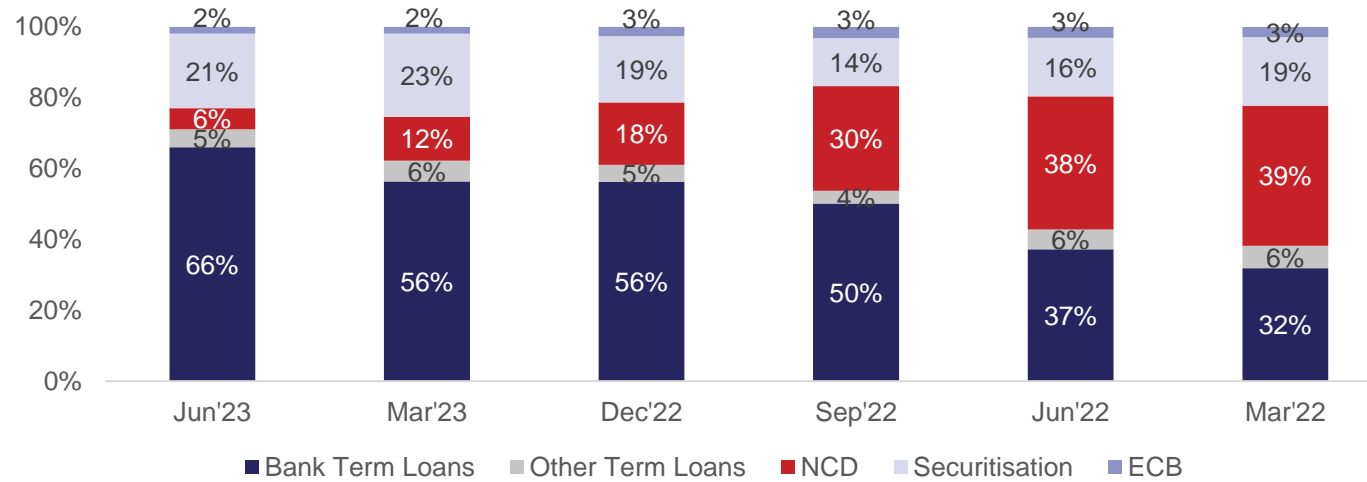
### Select Private Sector Banks



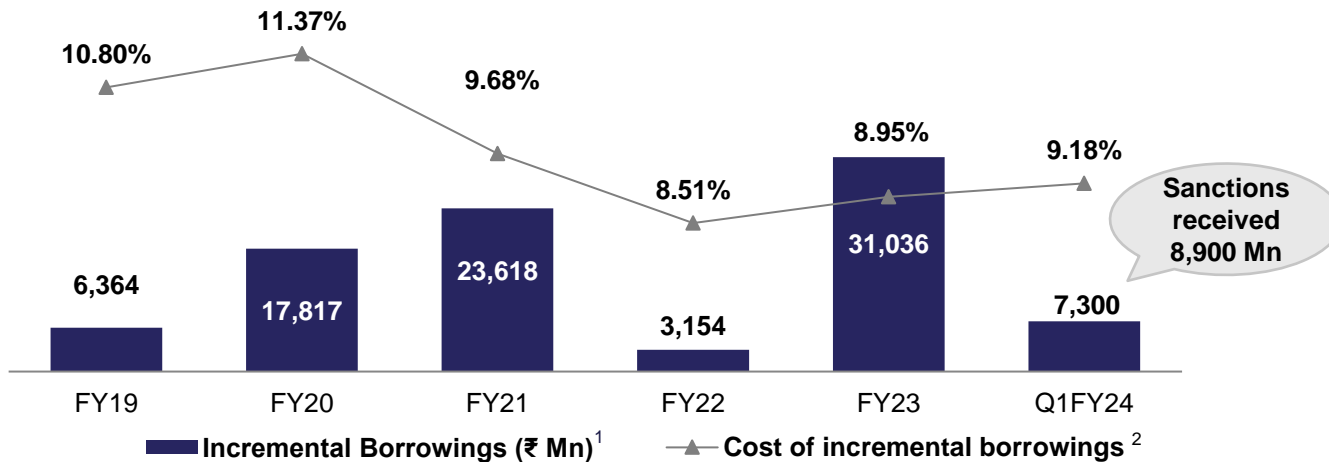
### Select Other Institutions



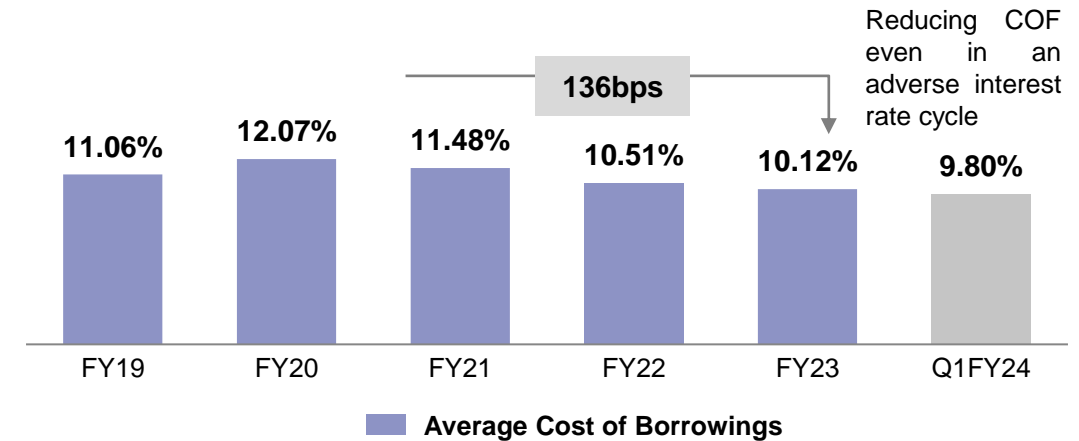
## Well diversified borrowing mix



## Cost of incremental borrowings



## Cost of funds on the book



Note: 1.. Incremental borrowings during the period; 2. Represents weighted average rate of interest on fresh borrowings in the relevant period, weights being availed amount of each borrowing during the period.

## Cashflow Position as of Jun'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
<b>Opening Liquidity<sup>1</sup></b>	<b>13,431</b>							
Add: Inflows from advances <sup>2</sup>	883	866	875	2,832	6,271	26,991	25,062	11,580
Less: Outflows on borrowings	830	731	1,790	2,792	5,753	18,818	11,507	1,038
Add: Other inflows	143	29	13	68	225	36	17	2,636
Less: Other outflows	504	23	139	46	161	354	447	47,026
<b>Cumulative mismatch</b>	<b>13,124</b>	<b>13,264</b>	<b>12,223</b>	<b>12,285</b>	<b>12,867</b>	<b>20,723</b>	<b>33,848</b>	<b>-</b>

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 Jun'23

Amount in ₹ Mn	
<b>Liquidity buffer as of Jun 2023</b>	
Unencumbered cash & cash equivalents	12,437
Unavailed sanction from banks / FIs	1,600
<b>Total Liquidity</b>	<b>14,037</b>

Projected Cashflow Schedule	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Opening Liquidity	14,037	14,818	16,280	17,875
Add: Principal collections & internal accruals	4,131	4,255	4,425	4,586
Less: Debt repayments (principal & interest)	3,351	2,792	2,830	2,923
<b>Closing Liquidity</b>	<b>14,818</b>	<b>16,280</b>	<b>17,875</b>	<b>19,538</b>

# Thank You

For further information, you may please email to:

 [ir@fivestargroup.in](mailto:ir@fivestargroup.in)