



IPO INSIGHTS



FIVE STAR BUSINESS FINANCE LIMITED

Issue Dates - Opens: 09-11-2022 | Closes: 11-11-2022

IPO Note	<ol style="list-style-type: none"> 1. An NBFC-ND-SI providing secured business loans to micro-entrepreneurs and self-employed individuals 2. Strong presence in South-India 3. Supported by Marquee Investors like Sequoia Capital, KKR, TPG, Matrix Partners, Norwest Venture Partners, etc 4. Offer for sale only
Rating	★★ (AVERAGE)

IPO SNAPSHOT

Issue Size	₹ 1960 Crores
Issue Type	Offer For Sale
Offer for Sale	₹ 1960 Crores
Face Value Per Share	₹ 1
Price Band Per Share	₹ 450 - ₹ 474
Minimum Lot Size	31 shares
Listing On	BSE,NSE
Registrar to the Issue	Kfin Technologies Limited

IPO SNAPSHOT – Five Star Business Finance Ltd.

About the Company

- Incorporated on May 7, 1984
- An NBFC-ND-SI providing secured business loans to micro-entrepreneurs and self-employed individuals, each of whom are largely excluded by traditional financing institutions
- Headquartered in Chennai, Tamil Nadu with strong presence in South India
- All the loans are secured by borrower's property predominantly being SORP
- Have fastest Gross Term Loan Growth with CAGR of 65% (FY2017 to FY2021)
- Highest Average return on Gross Term Loan Growth of 7.5% across FY2020, FY2021 & FY2022
- Among the 3 best for gross non-performing assets (being Stage 3 Gross Term Loans which are 90+ Days- Past-Due ("DPD")) as a percentage of Gross Term Loans (they had Stage 3 Gross Term Loans as a percentage of Gross Term Loans of 1.05%) as of March 31, 2022, having the best asset quality among lenders identified by CRISIL as engaged in extending MSME business loans, with other lenders reporting 90+ DPD more than 2%
- 95% of the loan portfolio comprises of loans from ₹ 0.1 million to ₹ 1 million in principal amount, with an **Average Ticket Size (ATS)** of ₹ 0.29 million, ₹ 0.27 million, ₹ 0.28 million and ₹ 0.26 million and ₹ 0.31 million in the 3 months ended June-2022, June-2021 and June-2020.
- Interest rates on loans depend on the underlying tenor (which ranges from 2 to 7 years), with approximately 95% of the loans sanctioned being between the interest rate range of 24% to 26% with tenor ranging from 5 to 7 years
- Extensive network of 311 branches as of June 30, 2022 spread across 150 districts, 8 states and 1 union territory with Tamil Nadu, Andhra Pradesh, Telangana and Karnataka being key states
- Developed a business model that is predicated on arriving at an appropriate risk framework, with the optimal instalment to income ratio to ensure that customers have the necessary means to repay the loan after meeting their regular obligations and other event-based capital requirements.

Competitive Strengths

- Supported by Marquee Investors including **TPG Capital, Sequoia Capital, Matrix Partners, Norwest Venture Partners, KKR and TVS Capital Funds Ltd**
- Strong "on-ground" collections infrastructure leading to the ability to maintain a robust asset quality
- Ability to successfully expand to new underpenetrated geographies through a calibrated expansion strategy
- 100% in-house sourcing, comprehensive credit assessment and robust risk management and collections framework, leading to good asset quality
- Access to diversified and cost-effective long-term financing with a conservative approach to asset liability and liquidity management

Financials (₹ in Crores)

Particulars	FY 2020	FY 2021	FY 2022	Y-o-Y
Revenue from Operations	786.72	1049.74	1254.62	19.52%
EBITDA	576.30	813.02	917.05	12.80%
EBITDA Margin	73.25%	77.45%	73.13%	
Profit After Tax	261.95	358.99	453.55	26.34%
Profit After Tax Margin	33.27%	34.15%	36.11%	

Debt to Equity = 0.52

Valuation

- Attributing FY22 Earnings, Asking P/E = 29.45

Peers

Name Of the Company	TTM P/E
Aavas Financiers	46.02
Aptus Value Housing Finance	43.29
AU Small Finance Bank Ltd	33.19

Promoters

- Lakshmipathy Deenadayalan, Hema Lakshmipathy, Shritha Lakshmipathy, Matrix Partners India Investment Holdings II, LLC, and SCI Investments V

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