**December 26, 2025**

# Five-Star Business Finance Limited: Rating reaffirmed for PTCs issued under small business loan securitisation transaction

## Summary of rating action

| Trust name | Instrument* | Initial rated amount (Rs. crore) | Amount O/s after last surveillance (Rs. crore) | Amount O/s after Nov-25 payout (Rs. crore) | Rating action |
|---|---|---|---|---|---|
| **Indigo 022** | Series A1 PTC | 72.00 | 29.44 | 12.41 | [ICRA]AAA(SO); reaffirmed |

**Instrument details are provided in Annexure I*

## Rationale

The pass-through certificates (PTCs) are backed by a pool of small business loan receivables originated by Five-Star Business Finance Limited {FSBFL/Originator; rated [ICRA]AA-(Stable)}. FSBFL is also the servicer for the transaction.

The rating reaffirmation factors in the build-up of the credit enhancement cover over the future PTC payouts on account of moderate pool amortisation and strong pool performance. The rating also draw comfort from the fact that the breakeven collection efficiency is lower than the actual collection level observed in the pool till the November 2025 payout month.

### Pool performance summary

| Parameter | Indigo 022 |
|---|---|
| **Payout month** | November 2025 |
| **Months post securitisation** | 35 |
| **Pool amortisation (as % of initial pool principal)** | 74.5% |
| **Series A1 PTC amortisation (as % of initial PTC principal)** | 82.8% |
| **Cumulative collection efficiency[1]** | 99.0% |
| **Cumulative prepayment rate[2]** | 37.1% |
| **Loss-cum-30+ days past due (dpd; % of initial pool principal)[3]** | 4.4% |
| **Loss-cum-90+ dpd (% of initial pool principal)[4]** | 0.8% |
| **Breakeven collection efficiency[5]** | 35.1% |
| **Cumulative cash collateral (CC) utilisation** | 0.0% |
| **CC available (as % of balance pool)** | 19.6% |
| **Excess interest spread (EIS; as % of balance pool)[6]** | 25.6% |
| **Principal subordination (% of balance pool principal)** | 39.2% |

## Transaction structure

As per the structure, the monthly cash flow schedule for both transactions comprises the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. Any surplus EIS, after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of the PTC principal.

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[1] *Cumulative collections / (Cumulative billings + Opening overdue at the time of securitisation)*
[2] *Principal outstanding at the time of prepayment of contracts prepaid till date / Initial pool principal*
[3] *Unbilled and overdue principal portion of contracts delinquent for more than 30 days, as a % of Initial pool principal*
[4] *Unbilled and overdue principal portion of contracts delinquent for more than 90 days, as a % of Initial pool principal*
[5] *(Balance cash flows payable to investor – CC available) / Balance pool cash flows*
[6] *(Pool cash flows– Cash flows to PTC A1– Originator's residual share) / Pool principal outstanding*

## Key rating drivers and their description

### Credit strengths

**Healthy pool performance** – The performance of the pool has been healthy with a cumulative collection efficiency of above ~99% till the November 2025 payout month. This has resulted in low delinquencies with the 90+ days past due (dpd) at sub-1.0% for the pool. The breakeven collection efficiency is also lower as compared to the collection efficiency observed in the pool.

**Healthy build-up of credit enhancement** – The rating factors in the build-up in the credit enhancement with the cash collateral and subordination increasing from the time of securitisation for the trust. Further, there have been no instances of cash collateral utilisation till date owing to the strong collection performance and the presence of subordination and EIS in the transaction.

**Contracts backed by self-occupied residential properties** – The pool are backed by self-occupied residential properties. This is expected to support the quality of the pool as it has been observed that borrowers tend to prioritise repayments towards such loans even during financial stress.

**Adequate servicing capability of the originator -** The company has adequate processes for the servicing of the loan accounts in the securitised pool. It has a track record of regular collections and recoveries and has expanded its presence to 10 states and 1 Union Territory with ~800 branches.

### Credit challenges

**High geographical concentration –** The balance pool has high geographical concentration with the top 3 states Tamil Nadu, Andhra Pradesh and Telangana contributing more than 89% to the balance pool principal amount. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

**Exposed to interest rate risk –** The transaction is exposed to interest rate risk as the underlying pool has fixed rate loans while the yield on the PTCs is floating (linked to 1-year Punjab National Bank MCLR with semi-annual reset).

**Risks associated with lending business –**The pool's performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans.

## Key rating assumptions

ICRA's cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For each of the pools, ICRA has estimated the shortfall in the pool principal collection during their tenure at 1.5% of the initial pool principal with certain variability around it. The average prepayment rate for the pool is modelled in the range of 7% to 27% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

## Details of key counterparties

The key counterparties in the rated transaction are as follows:

| Transaction name | Indigo 022 |
|---|---|
| **Originator** | Five-Star Business Finance Limited |
| **Servicer** | Five-Star Business Finance Limited |
| **Trustee** | Catalyst Trusteeship Limited |
| **CC holding bank** | DCB Bank |
| **Collection and payout account bank** | ICICI Bank Limited |

## Liquidity position: Superior

The liquidity for the PTC instruments is superior after factoring in the credit enhancement available to meet the promised payout to the investors. The total credit enhancement would be more than 10 times the estimated loss in the pool.

## Rating sensitivities

**Positive factors –** Not applicable

**Negative factors –** Sustained weak collection performance of the underlying pool of contracts, leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer (Five-Star) could also exert pressure on the rating.

## Analytical approach

The rating action is based on the performance of the pool till October 2025 (collection month), the present delinquency levels and the credit enhancement available in the pool, and the performance expected over the balance tenure of the pool.

| Analytical approach | Comments |
|---|---|
| **Applicable rating methodologies** | Rating Methodology for Securitisation Transactions |
| **Parent/Group support** | Not applicable |
| **Consolidation/Standalone** | Not applicable |

## About the originator

Five-Star Business Finance Limited (FSBFL) is a Chennai-headquartered non-banking financial company (NBFC) extending secured loans to micro entrepreneurs and self-employed individuals, primarily in semi-urban markets. The company commenced operations in 1984, with a focus on consumer loans and vehicle finance. In 2005, it shifted its focus to small business loans with a typical loan ticket size of Rs. 2-10 lakh and an average ticket size of Rs. 3-5 lakh. Its loans are predominantly backed by self-occupied residential properties. As of September 30, 2025, the company had 800 branches across 11 states/Union Territories.

The company was listed on the NSE & BSE in November 2022. As of September 2025, the individual promoters & promoter group (Mr. Lakshmipathy Deenadayalan and his family) held 18.6% of the stake in the company, being the single largest shareholders.

### Key financial indicators

| Five-Star Business Finance Limited | FY2024 | FY2025 | H1 FY2026 |
|---|---|---|---|
| | Audited | Audited | Provisional |
| **Total income** | 2,195 | 2,866 | 1,598 |
| **Profit after tax** | 836 | 1075 | 552 |
| **Total managed assets** | 11,847 | 14,614 | 15,678 |
| **Gross NPA** | 1.4% | 1.8% | 2.6% |
| **CRAR** | 50.5% | 50.1% | 51.0% |

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore*

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: None

## Rating history for past three years

| Trust name | Instrument | Current rating (FY2026) | | Chronology of rating history for the past 3 years | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Initial rated amount (Rs. crore) | Current rated amount (Rs. crore) | Date & rating in FY2026 | Date & rating in FY2025 | Date & rating in FY2024 | Date & rating in FY2023 | |
| | | | | Dec 26, 2025 | Dec 23, 2024 | Jan 29, 2024 | Jan 05, 2023 | Dec 30, 2022 |
| **Indigo 022** | Series A1 PTC | 72.00 | 12.41 | **[ICRA]AAA(SO)** | **[ICRA]AAA(SO)** | **[ICRA]AA(SO)** | **[ICRA]AA(SO)** | **Provisional [ICRA]AA(SO)** |

## Complexity level of the rated instruments

| Trust name | Instrument | Complexity indicator |
|---|---|---|
| **Indigo 022** | Series A1 PTC | Highly Complex |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

## Annexure I: Instrument details

| ISIN No. | Trust name | Instrument type | Date of issuance/ Sanction | Coupon rate (p.a.p.m.) | Maturity date | Amount rated (Rs. crore) | Current rating |
|---|---|---|---|---|---|---|---|
| **INE0OCN15010** | **Indigo 022** | Series A1 PTC | December 30, 2022 | 9.85%* | May 17, 2028 | 12.41 | [ICRA]AAA(SO) |

** Coupon linked to 1-year PNB MCLR with semi-annual reset*

*Source: Company*

## Annexure II: List of entities considered for consolidated analysis

Not applicable

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## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

## ICRA Limited

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