March 30, 2026

Five-Star Business Finance Limited: Ratings reaffirmed for PTCs issued under small business loan securitisation transactions

Summary of rating action

Trust name^	Instrument*	Initial rated amount (Rs. crore)	Amount O/s after last surveillance (Rs. crore)	Amount O/s after Feb-26 payout (Rs. crore)	Rating action
Dhruva XIV 12 2022	Series A1 PTC	175.76	63.29	25.17	[ICRA]AAA(SO); reaffirmed
Dhruva-XV 12 2022	Series A1 PTC	74.98	31.20	16.32	[ICRA]AAA(SO); reaffirmed
Dhruva XVI 01 2023	Series A1 PTC	49.36	22.02	11.80	[ICRA]AAA(SO); reaffirmed

^ The transactions have been referred to as Dhruva XIV, Dhruva XV and Dhruva XVI in this rationale

**Instrument details are provided in Annexure I*

Rationale

The pass-through certificates (PTCs) are backed by pools 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 transactions.

The ratings reaffirmation for the PTCs in the transactions factor in the build-up of the credit enhancement cover over the future PTC payouts on account of high pool amortisation and healthy pool performance. The ratings also draw comfort from the fact that the breakeven collection efficiency is lower than the actual collection levels observed in the pools till the February 2026 payout month.

Pool performance summary

Parameter	Dhruva XIV	Dhruva XV	Dhruva XVI
Payout month	February 2026	February 2026	February 2026
Months post securitisation	38	38	38
Pool amortisation (as % of initial pool principal)	78.8%	72.0%	70.8%
PTC amortisation (as % of initial PTC principal)	85.7%	78.2%	76.1%
Cumulative collection efficiency[1]	98.7%	98.7%	98.8%
Cumulative prepayment rate[2]	34.3%	38.1%	36.1%
Loss-cum-30+ days past due (dpd; % of initial pool principal)[3]	5.0%	5.8%	5.8%
Loss-cum-90+ dpd (% of initial pool principal)[4]	1.1%	1.2%	1.2%
Breakeven collection efficiency[5]	33.1%	45.1%	49.3%
Cumulative cash collateral (CC) utilisation	0.0%	0.0%	0.0%
CC available (as % of balance pool)	23.6%	17.8%	17.1%
Excess interest spread (EIS; as % of balance pool)[6]	24.3%	26.4%	26.2%
Principal subordination (% of balance pool principal)	37.8%	28.5%	24.0%

[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 till PTC maturity month – Cash flows to PTC A1/A1(a)/A1(b) – Originator's residual share) / Pool principal outstanding

Transaction structure

As per the structure, the monthly cash flow schedule for Dhruva XIV 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 excess interest spread (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.

As per the structure, the monthly cash flow schedule for Dhruva XV 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.

As per the structure, the monthly cash flow schedule for Dhruva XVI 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.

Reset of credit enhancement

At the request of the originator for resetting the credit enhancement, ICRA has analysed for the Dhruva XIV 12 2022 transaction at a CC of 5.9% of the balance pool principal (i.e. Rs. 2.39 crore) against the currently available CC of 23.6% of the balance pool principal (Rs. 9.55 crore after February 2026 payouts). Based on the pool's performance, the ratings will remain unchanged even after the reset of the CC amount. The CC reset shall be subject to the approval of the PTC investors. However, as per the regulatory guidelines, the amount of the CC that can be released would be restricted to 60% of the difference between the current CC amount and revised CC amount allowed by ICRA.

Key rating drivers and their description

Credit strengths

Healthy pool performance – The pools' performance has been healthy with a cumulative collection efficiency of ~98% till the February 2026 payout month. The breakeven collection efficiency is also low compared to the collection efficiency observed in the pools.

Healthy build-up of credit enhancement – The ratings factor in the build-up in the credit enhancement with the cash collateral and subordination increasing from the time of securitisation for the trusts. 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 transactions.

Contracts backed by self-occupied residential properties – All the pools are backed by self-occupied residential properties. This is expected to support the quality of the pools 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 pools have high geographical concentration with the top 3 states Tamil Nadu, Telangana and Andhra Pradesh, contributing between 80-90% 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 Dhruva XVI 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 3-month HDFC Bank MCLR less 10 bps with quarterly 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 the current pools, ICRA has estimated the shortfall in principal collection and prepayments during the tenure as provided in the following table.

Transaction name	Estimated shortfall (% of initial pool principal)	Prepayment (p.a.)
Dhruva XIV 12 2022	1.50%	7% - 27%
Dhruva-XV 12 2022	2.00%	7% - 27%
Dhruva XVI 01 2023	2.00%	7% - 27%

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 instruments.

Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction name	Dhruva XIV	Dhruva XV	Dhruva XVI
Originator	Five-Star Business Finance Limited		
Servicer	Five-Star Business Finance Limited		
Trustee	Catalyst Trusteeship Limited		
CC holding bank	DCB Bank	IDFC First Bank	Bajaj Finance Limited
Collection and payout account bank	ICICI Bank	IDFC First Bank	ICICI Bank

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 greater than 8 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The 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 ratings downgrade. Weakening in the credit profile of the servicer (Five Star) could also exert pressure on the ratings.

Analytical approach

The rating action is based on the performance of the pools till January 2026 (collection month), the present delinquency levels and the credit enhancement available in the pools, and the performance expected over the balance tenure of the pools.

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

Current rating (FY2026)	Chronology of rating history for the past 3 years

S. no.	Trust name	Instrument	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	
					Mar 30, 2026	Mar 24, 2025	Mar 22, 2024	Mar 17, 2023	Dec 30, 2022
1	**Dhruva XIV 12 2022**	Series A1 PTC	175.76	25.17	**[ICRA]AAA(SO)**	**[ICRA]AAA(SO)**	**[ICRA]AA+(SO)**	**[ICRA]AA(SO)**	**Provisional [ICRA]AA(SO)**

S. no.	Trust name	Current rating (FY2026)				Chronology of rating history for the past 3 years			
		Instrument	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	
					Mar 30, 2026	Mar 24, 2025	Mar 22, 2024	Mar 17, 2023	Dec 30, 2022
2	**Dhruva-XV 12 2022**	Series A1 PTC	74.98	16.32	**[ICRA]AAA(SO)**	**[ICRA]AAA(SO)**	**[ICRA]AA(SO)**	**[ICRA]AA(SO)**	**Provisional [ICRA]AA(SO)**

S. no.	Trust name	Current rating (FY2026)				Chronology of rating history for the past 3 years			
		Instrument	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	
					Mar 30, 2026	Mar 24, 2025	Mar 22, 2024	Mar 17, 2023	Jan 10, 2023
3	**Dhruva XVI 12 2022**	Series A1 PTC	49.36	11.80	**[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
Dhruva XIV 12 2022	Series A1 PTC	Highly Complex
Dhruva-XV 12 2022	Series A1 PTC	Highly Complex
Dhruva XVI 01 2023	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

Trust name	Instrument type	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Current amount rated (Rs. crore)	Current rating
Dhruva XIV 12 2022	Series A1 PTC	December 30, 2022	8.90%	August 18, 2028	25.17	[ICRA]AAA(SO)
Dhruva-XV 12 2022	Series A1 PTC	December 30, 2022	9.00%	November 17, 2028	16.32	[ICRA]AAA(SO)
Dhruva XVI 01 2023	Series A1 PTC	January 11, 2023	8.25%*	October 21, 2028	11.80	[ICRA]AAA(SO)

** As at Feb 2026 payout; coupon is linked to 3-month HDFC Bank MCLR minus 10 bps with quarterly reset*

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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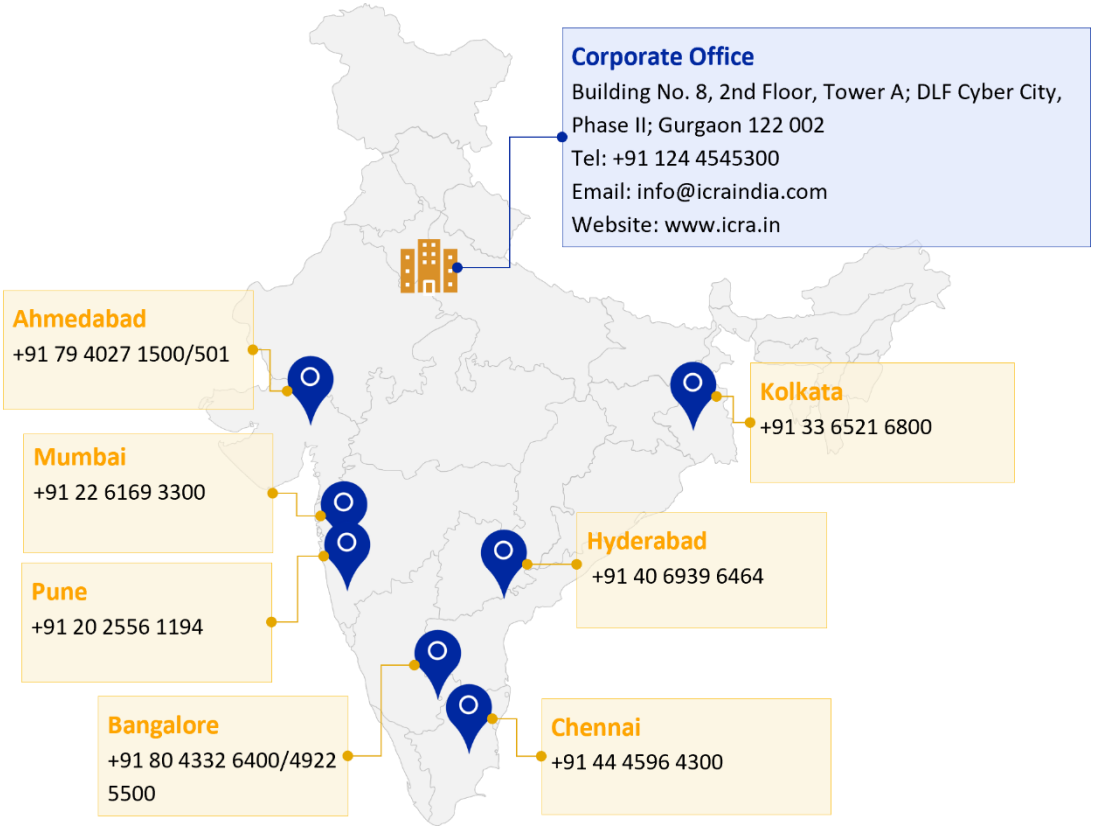

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