

Issue Highlights

Issue Open	November 09, 2022
Issue Close	November 11, 2022
Issue Price	Rs. 450 - Rs. 474 Per Share
Total Issue Size	Rs. 1,960 Cr
Of which	
Offer for Sale	Rs. 1,960 Cr
Face Value	Rs. 1 Per share
Market Lot	31 Equity Shares
Issue Type	Book Built Issue

Offer Structure

QIB Category	50%
Retail category	35%
Non-Institutional	15%

Lead Book Running Managers

- ⇒ ICICI Securities Ltd.
- ⇒ Edelweiss Financial Services Ltd.
- ⇒ Kotak Mahindra Capital Company Ltd.
- ⇒ Nomura Financial Advisory & Sec. India Ltd.

Registrar To The Offer

- ⇒ KFin Technologies Ltd.

Research Analyst

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Key Highlights

- ❑ **Company Background:** Five-Star Business Finance Incorporated in 1984, an NBFC-ND-SI (Non-Banking Finance Company) providing secured business loans to micro-entrepreneurs and self-employed individuals, each of whom are largely excluded by traditional financing institutions. Their headquarter is in Chennai, Tamil Nadu and has a strong presence in south India. The company has an extensive network of 311 branches, as of June 30, 2022, spread across 8 states, 1 UT and ~150 districts across India. Its key states include Tamil Nadu, Andhra Pradesh, Telangana and Karnataka.
- ❑ **Offering to customers:** They primarily offer customers small loans for business purposes as well as loans for asset creation such as home renovation or improvement, or for meeting expenses for significant economic events such as marriage, healthcare and education. Further, the company has developed a business model that guides the risk framework, with the optimal installment 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.
- ❑ **Ability to successfully expand to new underpenetrated geographies:** Since the company has started its business in Chennai, they have demonstrated their ability to grow beyond their local market. They expanded in the states of Andhra Pradesh, Telangana and Karnataka, followed by expansion in Madhya Pradesh, Chhattisgarh, Maharashtra and Uttar Pradesh. The company has adopted a calibrated strategy of contiguous expansion across geographies where there is substantial demand for their offering and which has allowed for the maintenance of robust asset quality.
- ❑ **Building strong brand to attract new customers:** The company believes that having a strong recognizable brand is a key attribute in their business, which will help to attract and retain customers, increases customer confidence and influences purchase decisions. Further, they intend to continue to undertake initiatives such organizing programs like literacy, etc. and sponsor popular events in the regions they operate which will help to recall its brand and engage more customers.
- ❑ **Growth plans ahead:** The company has plans to increase penetration in existing as well as new markets, focus on small business owners to increase market share and continue to invest in technology and data analytics. This will bring in growth as well as will gain market share.
- ❑ **Financial:** The company has been one of the fastest growing NBFC with growth of 50% CAGR over FY18-22. On an average, It NIM is at 14.8% over FY20-22.
- ❑ **Key Risk:** 1.) Operates in a competitive environment. 2) Any non-payment or default by their borrowers may adversely affect its business.

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S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No

	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No

	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

Nature of Interest (if answer to F (a) above is Yes :

Name(s) with Signature(s) of RA(s).

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SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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