

BSR & Co. LLP

Chartered Accountants

KRM Tower, 1st & 2nd Floor,
No 1, Harrington Road, Chetpet,
Chennai - 600 031, India.

Telephone : +91 44 4608 3100
Fax : +91 44 4608 3199

Independent Auditors' Report on Annual Financial Results under Regulation 52 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the year ended 31 March 2020

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF FIVE-STAR BUSINESS FINANCE LIMITED

Report on the audit of the Annual Financial Results

Opinion

We have audited the accompanying annual financial results of Five-Star Business Finance Limited (hereinafter referred to as the "Company") for the year ended 31 March 2020, attached herewith, being submitted by the Company pursuant to the requirement of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("Listing Regulations").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid annual financial results:

- a. are presented in accordance with the requirements of Regulation 52 of the Listing Regulations in this regard; and
- b. give a true and fair view in conformity with the recognition and measurement principles laid down in the applicable Indian Accounting Standards, and other accounting principles generally accepted in India, of the net profit and other comprehensive income and other financial information for the year ended 31 March 2020.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ("SAs") specified under section 143(10) of the Companies Act, 2013 ("the Act"). Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Annual Financial Results* section of our report. We are independent of the Company, in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act, and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our opinion on the annual financial results.

Emphasis of Matter

As described in Note 7 to the annual financial results, the extent to which the COVID - 19 pandemic will impact the Company's financial performance is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

Independent Auditors' Report on Annual Financial Results under Regulation 52 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the year ended 31 March 2020

Page 2 of 3

Management's and Board of Directors' Responsibilities for the Annual Financial Results

These annual financial results have been prepared on the basis of the annual financial statements.

The Company's Management and the Board of Directors are responsible for the preparation and presentation of these annual financial results that give a true and fair view of the net profit and other comprehensive income and other financial information in accordance with the recognition and measurement principles laid down in Indian Accounting Standards prescribed under Section 133 of the Act and other accounting principles generally accepted in India and in compliance with Regulation 52 of the Listing Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the annual financial results that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the annual financial results, the Management and the Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process

Auditor's Responsibilities for the Audit of the Annual Financial Results

Our objectives are to obtain reasonable assurance about whether the annual financial results as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial results.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial results, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3) (i) of the Act, we are also responsible for expressing our opinion through a separate report on the complete set of financial

Independent Auditors' Report on Annual Financial Results under Regulation 52 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the year ended 31 March 2020

Page 3 of 3

statements on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the financial results made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial results or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial results, including the disclosures, and whether the annual financial results represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matters

The annual financial results include the results for the half year ended 31 March 2020 and the corresponding half year ended in the previous year being the balancing figure between the audited figures in respect of the full financial year and the unaudited year to date figures for the half year ended 30 September 2019 and half year ended 30 September 2018 respectively which were subject to limited review by us.

for B S R & Co. LLP

Chartered Accountants

Firm's Registration Number: 101248W/W-100022



K Raghuram

Partner

Membership Number: 211171

UDIN : 20211171AAAABK4751

Place: Chennai

Date: 10 June 2020

Five-Star Business Finance Limited

Regd. Office: Old no. 4, New no. 27, Taylor's Road, Kilpauk, Chennai - 600010

CIN: U65991TN1984PLC010844

Statement of assets and liabilities as at March 31, 2020

(All amounts are in lakhs, except share data and as stated)

Particulars	As at March 31, 2020 Audited	As at March 31, 2019 Audited
ASSETS		
Financial Assets		
Cash and cash equivalents	28,977.95	21,965.73
Bank balances other than cash and cash equivalents	16,134.94	6.88
Loans	3,83,080.44	2,09,586.40
Other financial assets	524.57	285.89
	4,28,717.90	2,31,844.90
Non-Financial Assets		
Current tax assets (net)	435.46	360.01
Deferred tax assets (net)	2,822.96	1,464.46
Investment property	3.56	3.56
Property, plant and equipment	1,106.09	744.41
Right of use asset (refer note 5)	1,488.00	-
Other intangible assets	192.80	201.80
Other non-financial assets	548.62	363.81
	6,597.49	3,138.05
Total assets	4,35,315.39	2,34,982.95
LIABILITIES AND EQUITY		
Financial Liabilities		
Payables		
Trade payables		
-total outstanding dues of micro and small enterprises	-	-
-total outstanding dues of creditors other than micro and small enterprises	662.40	292.69
Debt securities	1,07,886.42	43,350.77
Borrowings (Other than debt securities)	1,28,482.89	52,652.18
Other financial liabilities	1,568.10	6.88
	2,38,599.81	96,302.52
Non-Financial Liabilities		
Current tax liabilities (net)	74.80	162.17
Provisions	577.61	376.26
Other non-financial liabilities	1,605.12	1,629.19
	2,257.53	2,167.62
Equity		
Equity share capital	2,558.21	2,389.96
Other equity	1,91,899.84	1,34,122.85
	1,94,458.05	1,36,512.81
Total equity and liabilities	4,35,315.39	2,34,982.95




Statement of financial results for the half year ended and year ended March 31, 2020
 (All amounts are in lakhs, except share data and as stated)

Particulars	Half year ended March 31, 2020 (refer note 11)	Half year ended March 31, 2019 (refer note 11)	Year ended March 31, 2020	Year ended March 31, 2019 (refer note 11)
	Audited	Audited	Audited	Audited
Revenue from operations				
Interest income	42,614.38	22,631.68	74,682.42	38,973.81
Fee income	1,918.92	783.93	2,970.84	1,327.05
Net gain on fair value changes	468.84	287.66	1,018.22	589.94
Total revenue from operations	45,002.14	23,703.27	78,671.48	40,890.80
Other income	61.88	1.69	63.25	1.86
Total income	45,064.02	23,704.96	78,734.73	40,892.66
Expenses				
Finance costs	12,562.22	3,914.50	21,693.51	7,592.20
Fee expense	11.08	7.32	42.52	94.77
Impairment of financial instruments	3,531.98	319.33	4,934.19	755.18
Employee benefits expense	7,298.52	3,954.93	12,710.78	7,653.44
Depreciation and amortisation expense	591.12	251.08	1,006.85	419.46
Other expenses	2,036.87	1,387.40	3,416.83	2,533.27
Total expenses	26,031.79	9,834.56	43,804.68	19,048.32
Profit before tax	19,032.23	13,870.40	34,930.05	21,844.34
Tax expenses	4,662.42	3,857.44	8,735.01	6,178.61
Net profit after tax	14,369.81	10,012.96	26,195.04	15,665.73
Other comprehensive income - re-measurement loss on defined benefit plan, net of taxes	(43.80)	(18.63)	(111.35)	(38.06)
Total comprehensive income (after tax)	14,326.01	9,994.33	26,083.69	15,627.67
Paid-up equity share capital (Face value of the share: Rs 10/- each)				
Fully paid up			2,541.03	2,389.96
Partly paid up (Re 1/- each)			17.18	-
Total reserve			1,91,899.84	1,34,122.85
Earnings per equity share for continuing operations, in rupees	Not annualised			
a. Basic	55.78	42.13	103.24	68.92
b. Diluted	53.84	41.29	100.70	67.39

See accompanying notes to the financial results

Five-Star Business Finance Limited

Regd. Office: Old no. 4, New no. 27, Taylor's Road, Kilpauk, Chennai - 600010

CIN: U65991TN1984PLC010844

Notes:

- 1 Five-Star Business Finance Limited ("the Company") is a Systemically Important Non-Deposit taking Non-Banking Finance Company (NBFC-ND-SI) registered with the Reserve Bank of India ("the RBI").
- 2 The audited financial results for the year ended March 31, 2020 have been reviewed by the Audit Committee and subsequently approved by the Board of Directors at their respective meetings held on June 09, 2020 and June 10, 2020 respectively.
- 3 The above financial results of the Company have been prepared in accordance with Indian Accounting Standards ('Ind AS') notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended by the Companies (Indian Accounting Standards) Rules, 2016, prescribed under section 133 of the Companies Act 2013 ('the Act') read with relevant rules issued thereunder and the other accounting principles generally accepted in India. Any application guidance/ clarifications/ directions issued by the Reserve Bank of India or other regulators are implemented as and when they are issued/ applicable.
- 4 During the year ended March 31, 2020, the Company vide its board meeting dated August 29, 2019 had approved the Scheme of Amalgamation ("the Scheme") of its wholly owned subsidiary - Five-Star Housing Finance Private Limited with the Company and their respective shareholders under sections 233 of the Act and other applicable provisions of the Act. The appointed date under the aforesaid Scheme is April 1, 2019. This scheme has been approved by the regulatory authorities. As required by the IND AS 103 - Business Combinations, pooling of interest method has been considered for common control business combination and accordingly, the assets and liabilities are reflected in the books of the Company at their respective carrying amounts. Further, in accordance with Ind AS 103 - Business Combinations, financial statements have been restated from April 1, 2018 and consequently, the amounts for the half year ended March 31, 2019 and year ended March 31, 2019 included as part of these results incorporate the results of the aforementioned amalgamated entity. The financial details relating to the amalgamated entity are given below:

(Rupees in Lakhs)

Particulars	Half year ended September 30, 2019	Half year ended March 31, 2019	Half year ended September 30, 2018	Year ended March 31, 2019
Total income	424.61	395.39	332.00	727.39
Total expenses	355.53	398.57	283.19	681.76
Profit before tax	69.08	(3.18)	48.81	45.63
Tax expenses	18.74	(3.79)	13.37	9.58
Profit after tax	50.34	0.61	35.44	36.05

- 5 Effective April 1, 2019, the Company has adopted Ind AS 116 - Leases and applied it to all lease contracts existing on April 1, 2019 using the modified retrospective method. Based on the same and as permitted under the specific transitional provisions in the standard, the Company is not required to restate the comparative figures. On transition, the adoption of the new standard resulted in recognition of Right-of-use asset and a lease liability.
- 6 The Company has elected to exercise the option permitted under section 115BAA of the Income tax Act, 1961, as introduced by the Taxation laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognised provision for income tax and remeasured its net deferred tax asset at concessional rate for the half year ended September 30, 2019 and continued to apply the concessional tax rate for the year ended March 31, 2020. The impact of above mentioned change has been recognised in the statement of profit and loss for the half year ended September 30, 2019 and has been carried forward for the year ended March 31, 2020.



Five-Star Business Finance Limited

Regd. Office: Old no. 4, New no. 27, Taylor's Road, Kilpauk, Chennai - 600010

CIN: U65991TN1984PLC010844

Notes:

- 7 The outbreak of COVID-19 pandemic and consequent lockdown has severely impacted various activities across the country. The impact of COVID-19 on the economy is uncertain and would also be dependent upon future developments including various measures taken by the Government, Regulator, responses of businesses, consumers etc. Hence, the extent to which COVID-19 pandemic will impact the company's business, cash flows and financial results, is dependent on such future developments, which are highly uncertain.

In accordance with the Board approved moratorium policy read with the Reserve Bank of India (RBI) guidelines dated March 27, 2020 and April 17, 2020 relating to 'COVID-19 – Regulatory Package', the Company has granted moratorium up-to two months on the payment of installments falling due between April 1, 2020 and May 31, 2020 to all eligible borrowers on a suo-moto basis. Based on an assessment by the Company, this relaxation has not been deemed to be automatically triggering significant increase in credit risk and in the absence of other credit risk indicators, the granting of a moratorium period does not result in accounts becoming past due and automatically triggering Stage 2 or Stage 3 classification criteria.

Estimates and associated judgments / assumptions applied in preparation of these financial results including determining the impairment loss allowance are based on a combination of historical experience and emerging / forward looking indicators resulting from the pandemic. In addition to the early indicators available during the moratorium period, the company has also used potential stress on probability of default and exposure at default on the expected credit losses on loans and accordingly recognized an expected credit loss on loans of INR 4,934 lakhs including an additional impairment provision amounting to INR 2,695 lakhs during the current period. The Company believes that it has considered all the possible impact of the currently known events arising out of COVID-19 pandemic in the preparation of financial results. However, since the impact assessment of COVID-19 is a continuing process given its uncertainty in nature and duration, this may have corresponding impact in the financial position. The Company will continue to monitor any material changes to the future economic conditions.

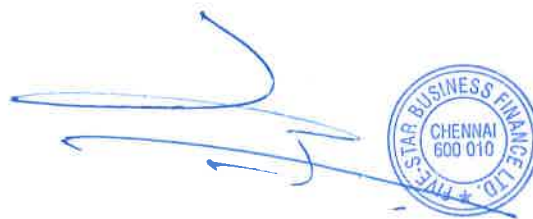
- 8 In terms of the requirement as per RBI notifications no. RBI/2019-20/170 DOR (NBFC).CC. PD No. 109/22.10.106/2019-20 dated March 13, 2020 on implementation of Indian accounting standards, Non Banking Financial Companies (NBFCs) are required to create an impairment reserve for any shortfall in impairment allowances under Ind AS 109 and Income recognition, Asset Classification and Provisioning (IRACP) Norms (including provision on standard assets). The impairment allowances under Ind AS 109 made by the company exceeds the total provision required under IRAC (including Standard asset provisioning), as at March 31, 2020 and accordingly, no amount is required to be transferred to impairment reserve.

- 9 There is no separate reportable segment in accordance with Ind AS 108 on "Operating Segments" in respect of the Company.

- 10 Reserves include Statutory Reserves as per Section 45IC of Reserve Bank of India Act 1934, as per Section 29C of the National Housing Bank Act, 1987, balance in Securities Premium, Employee Stock Option Plan Reserve, General Reserve, Retained Earnings and Other Comprehensive Income.

- 11 The figures for half year ended March 31, 2020 and the corresponding half year ended in the previous year as reported in these annual financial results are the balancing figures between audited figures in respect of the full financial year and year to date figures for the half year ended September 30, 2019 and half year ended September 30, 2018 respectively. These year to date figures published earlier have been restated as mentioned in note 4. The published figures for the half year ended September 30, 2018 and half year ended September 30, 2019 have not been subjected to audit. Also financial results of the amalgamated entity for the half year ended September 30, 2018 and half year ended September 30, 2019 have not been subjected to limited review earlier.

- 12 Previous period's figures have been regrouped / reclassified wherever necessary, to conform with the current period presentation.



The image shows a handwritten signature in blue ink over a blue circular stamp. The stamp contains the text "FIVE-STAR BUSINESS FINANCE LTD." around the perimeter and "CHENNAI 600 010" in the center.

Five-Star Business Finance Limited

Regd. Office: Old no. 4, New no. 27, Taylor's Road, Kilpauk, Chennai - 600010

CIN: U65991TN1984PLC010844

Annexure 1**a) Credit Rating:**

The CARE Ratings Limited ("CARE") CRISIL and ICRA Limited ("ICRA") have assigned following rating to the company:

Facility	CRISIL	CARE	ICRA
(i) Non-Convertible Debentures	CRISIL BBB+	CARE A	ICRA A
(ii) Commercial Papers	-	CARE A1	-
(iii) Long term bank facilities	-	CARE A	ICRA A
(iv) Short term bank facilities	-	CARE A1	-
(v) Securitisation	-	-	ICRA AA+ (SO) /AA(SO) / AA- (SO)

b) Asset cover available for non-convertible debt securities:

Not applicable.

c) Debt-equity ratio*:

The debt-equity ratio of the company as per the reviewed financial results for the year ended March 31, 2020 is 1.23

d) Previous due date for the payment of interest/dividend for non-convertible redeemable preference shares/repayment of principal of non-convertible preference shares/non-convertible debt securities and whether the same has been paid or not:

All previous dues with respect to debentures were paid on due date (Refer Appendix A).

The company has not issued any non-convertible redeemable preference shares.

e) Next due date for the payment of interest / dividend of non-convertible preference shares/principal along with the amount of interest/dividend of non-convertible preference shares payable and the redemption amount.

The company has not issued any convertible redeemable preference shares.

f) Debt service coverage ratio:

Not applicable.

g) Interest service coverage ratio:

Not applicable.

h) Outstanding redeemable preference shares (quantity and value):

Not applicable.

i) Capital redemption reserve/Debenture redemption reserve:

Debenture redemption reserve is not required in respect of privately placed debentures in terms of rule 18(7) (b) (ii) of the Companies (Share Capital and Debenture) Rules, 2014.

j) Net worth:**

Rs.1,94,458.05 Lakhs

k) Net profit after tax:

Rs. 26,195.04 lakhs

l) Earnings Per share:

(i) Basic 103.24

(ii) Diluted 100.70

* Debt-equity ratio is (Debt Securities+Other than Debt Securities) / Net Worth.

** Net Worth is equal to Paid up Equity Share Capital + Reserve - Deferred tax.



Appendix A

Details of previous due dates for payment of Interest/Principal for Non-Convertible Debentures

S.No	Name	Type (Interest / Principal)	Issue size (Rs. in cr)	Interest / Principal due date	Paid/ Unpaid
1	INE128S07010	Interest & Principal	30	06-06-2020	Paid
2	INE128S07127, INE128S07135 & INE128S07143	Interest	25	08-06-2020	Paid
3	INE128S07218, INE128S07226, INE128S07234 & INE128S07242	Interest	15	15-05-2020	Paid
4	INE128S07275	Principal	45	30-03-2020	Paid
5	INE128S07259	Principal	30	30-03-2020	Paid
6	INE128S07267	Interest	24	02-03-2020	Paid
7	INE128S07309	Interest & Principal	25	30-03-2020	Paid
8	INE128S07317	Interest	5	30-03-2020	Paid
9	INE128S07325	Interest	65	30-03-2020	Paid
10	INE128S07333	Interest	65	30-03-2020	Paid
11	INE128S07341	Interest	65	30-03-2020	Paid
12	INE128S07358	Interest	55	30-03-2020	Paid
13	INE128S07374	Interest	180	30-03-2020	Paid
14	INE128S07390	Interest	180	30-03-2020	Paid
15	INE128S07408	Interest	185	30-03-2020	Paid
16	INE128S07366	Interest	30	01-06-2020	Paid
17	INE128S07416	Interest	125	28-02-2020	Paid

Details of next due dates for payment of interest/Principal for Non-Convertible Debentures

S.No	Name	Type (Interest / Principal)	Issue size (Rs. in cr)	Interest / Principal due date
1	INE128S07010	Interest & Principal	30	06-12-2020
2	INE128S07127, INE128S07135 & INE128S07143	Interest	25	07-07-2020
3	INE128S07218, INE128S07226, INE128S07234 & INE128S07242	Interest & Principal	15	15-06-2020
4	INE128S07275	Interest & Principal	45	29-06-2020
5	INE128S07259	Interest & Principal	30	29-06-2020
6	INE128S07267	Interest	24	31-08-2020
7	INE128S07317	Interest	5	29-06-2020
8	INE128S07325	Interest	65	29-06-2020
9	INE128S07333	Interest	65	29-06-2020
10	INE128S07341	Interest	65	29-06-2020
11	INE128S07358	Interest	55	29-06-2020
12	INE128S07374	Interest	180	29-06-2020
13	INE128S07390	Interest	180	29-06-2020
14	INE128S07408	Interest	185	29-06-2020
15	INE128S07366	Interest	30	30-06-2020
16	INE128S07416	Interest	125	28-08-2020
17	INE128S07424	Interest	15	30-06-2020
18	INE128S07432	Interest	15	28-05-2021



[Handwritten signature]