

B S R & Co. LLP

Chartered Accountants

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Limited review report

To Board of Directors of Five-Star Business Finance Limited

1. We have reviewed the accompanying Statement of unaudited financial results of Five-Star Business Finance Limited (“the Company”) for the half year ended results for the period from 1 April 2020 to 30 September 2020 (“the Statement”).
2. This Statement, which is the responsibility of the Company’s management and has been approved by the Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard (“Ind AS”) 34 “Interim Financial Reporting”, prescribed under Section 133 of the Companies Act, 2013 (“Act”), and other accounting principles generally accepted in India and in compliance with Regulation 52 of the Securities and Exchange Board of India (“SEBI”) (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) . Our responsibility is to issue a report on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with applicable Indian accounting standards and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 52 of the Listing Regulations including the manner in which it is to be disclosed, or that it contains any material misstatement.

Limited review report
Five-Star Business Finance Limited

Page 2 of 2

5. As described in Note 7 to the Statement, in respect of accounts where moratorium benefit have been granted, the staging of those accounts as at 30 September 2020 is based on the days past due status considering the benefit of moratorium period in accordance with the Reserve Bank of India Covid-19 Regulatory Package announced by the Reserve Bank of India.

Further, the extent to which the COVID – 19 pandemic will impact the Company's financial performance including the Company's estimates of impairment of financial instruments and the impact of Honourable Supreme Court of India's interim order dated 3 September 2020 on declaration of borrowers accounts as non-performing assets are dependent on future developments which are highly uncertain.

Our conclusion is not modified in respect of these matters.

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022



K Raghuram
Partner

Membership No: 211171
UDIN: 20211171AAAACY7462

Place : Chennai
Date : 6 November 2020

Five-Star Business Finance Limited
 Regd. Office: New No. 27, Old No.4, Taylors Road, Kilpauk, Chennai - 600 010
 CIN: U65991TN1984PLC010844

Statement of unaudited assets and liabilities as at 30 September 2020
 (All amounts are in lakhs, except share data and as stated)

Particulars	As at	As at
	30 September 2020	31 March 2020
	Unaudited	Audited
ASSETS		
Financial assets		
Cash and cash equivalents	76,063.88	28,977.95
Bank balances other than cash and cash equivalent	54,027.60	16,134.94
Loans	386,358.74	383,080.44
Investments	2,505.98	-
Other financial assets	497.82	524.57
	519,454.02	428,717.90
Non - financial assets		
Current tax assets (net)	450.03	435.46
Deferred tax assets (net)	2,849.14	2,822.96
Investment property	3.56	3.56
Property, plant and equipment	952.32	1,106.09
Right of use asset	1,469.73	1,488.00
Other intangible assets	203.71	192.80
Other non-financial assets	355.47	548.62
	6,283.96	6,597.49
Total assets	525,737.98	435,315.39
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 enterprise	635.94	662.40
Debt securities	150,421.63	107,886.42
Borrowings (Other than debt securities)	156,113.07	128,482.89
Other financial liabilities	1,624.73	1,568.10
	308,795.37	238,599.81
Non-financial liabilities		
Current tax liabilities (net)	722.81	74.80
Provisions	853.55	577.61
Other non-financial liabilities	1,941.16	1,605.12
	3,517.52	2,257.53
Equity		
Equity share capital	2,563.55	2,558.21
Other equity	210,861.54	191,899.84
	213,425.09	194,458.05
Total equity and liabilities	525,737.98	435,315.39

See accompanying notes to the unaudited financial results



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Statement of unaudited financial results for the half year ended 30 September 2020
 (All amounts are in lakhs, except share data and as stated)

Particulars	Half year ended 30 September 2020	Half year ended 30 September 2019	Year ended 31 March 2020
	Unaudited	Unaudited	Audited
Revenue from operations			
Interest income	49,711.81	32,068.04	74,682.42
Fee income	505.68	1,051.92	2,970.84
Net gain on fair value changes	212.04	549.38	1,018.22
Total revenue from operations	50,429.53	33,669.34	78,671.48
Other income	18.37	1.37	63.25
Total Income	50,447.90	33,670.71	78,734.73
Expenses			
Finance costs	15,902.58	9,131.29	21,693.51
Fees expenses	54.42	31.45	42.52
Impairment on financial instruments	533.87	1,402.21	4,934.19
Employee benefits expenses	7,197.56	5,413.01	12,710.78
Depreciation and amortization	544.65	415.73	1,006.85
Other expenses	1,141.07	1,379.19	3,416.83
Total Expenses	25,374.15	17,772.88	43,804.68
Profit before tax	25,073.75	15,897.83	34,930.05
Tax expenses			
Current tax	6,177.18	4,095.55	10,056.07
Deferred tax (net)	(16.71)	(22.95)	(1,321.06)
Total tax expenses	6,160.47	4,072.60	8,735.01
Profit after tax for the period / year	18,913.28	11,825.23	26,195.04
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurements of the defined benefit plan	(37.56)	(90.27)	(148.80)
Income tax relating to items that will not be reclassified to profit or loss	9.45	22.72	37.45
Other comprehensive income / (deficit) for the period / year, net of income tax	(28.11)	(67.55)	(111.35)
Total comprehensive income for the period / year, net of income tax	18,885.17	11,757.68	26,083.69
Earnings per equity share			
a Basic (in rupees)	73.89	47.46	103.24
b Diluted (in rupees)	72.24	46.86	100.70
	Not annualised	Not annualised	Annualised
Face value per share	10.00	10.00	10.00

See accompanying notes to the unaudited financial results



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Notes:

- 1 Five-Star Business Finance Limited ("the Company") is a Systematically Important Non-Deposit taking Non-Banking Finance Company (NBFC-ND-SI) registered with the Reserve Bank of India ("the RBI").
- 2 The unaudited financial results for the half year ended 30 September 2020 have been reviewed by the Audit Committee and subsequently approved by the Board of Directors at their meetings held on 5 and 6 November 2020 respectively. The above results have been subjected to limited review by the statutory auditors of the Company. The auditors have issued an unmodified review report.
- 3 These unaudited financial results have been prepared in accordance with the recognition and measurement principles laid down in accordance with the Indian Accounting Standard ('Ind AS'), 34 - "Interim Financial Reporting" as prescribed under Section 133 of the Companies Act, 2013 ('the Act'), and other accounting principles generally accepted in India and in compliance with Regulation 52 of the Securities Exchange Board of India ("SEBI") (Listing Obligations and Disclosure Requirements) Regulations 2015. The financial results have been drawn upon the basis of Ind AS, that are applicable to the Company as at 30 September 2020. Any application guidance / clarifications / directions issued by the RBI or other regulators are implemented as and when they are issued / applicable.
- 4 During the previous year ended 31 March 2020, the Company vide its board meeting dated 29 August 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 1 April 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 / results have been restated from 1 April 2018 and consequently, the amounts for the half year ended 30 September 2019 included as part of these results incorporate the results of the aforementioned wholly owned subsidiary entity. These financial results of the wholly owned subsidiary entity have not been subjected to limited review earlier. The financial details relating to the wholly owned subsidiary entity are given below:

(Rupees in Lakhs)

Particulars	Half year ended 30 September 2019
Total income	424.61
Total expenses	355.53
Profit before tax	69.09
Tax expenses	18.74
Profit after tax	50.35

- 5 There is no separate reportable segment in accordance with Ind AS 108 on "Operating Segments" in respect of the Company.
- 6 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.
- 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 continues to be uncertain and would also be dependent upon on 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.

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Notes:

In accordance with the Board approved moratorium policy read with the Reserve Bank of India (RBI) guidelines dated 27 March 2020, 17 April 2020 and 23 May 2020 relating to 'COVID-19 – Regulatory Package and guidelines issued thereto, the Company has granted moratorium up-to five months on the payment of instalments falling due between 1 April 2020 and 31 August 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. Accordingly, in respect of accounts where moratorium benefit have been granted, the staging of those accounts as at 30 September 2020 is based on the days past due status considering the benefit of moratorium period in accordance with the Reserve Bank of India Covid-19 Regulatory Package.

Further no additional borrower accounts have been declared as non-performing assets which were not declared as non-performing till 31 August 2020, in view of the Supreme Court interim order dated 3 September 2020 in the case of Public Interest Litigation by Gajendra Sharma Vs Union of India & ANR. The Company has made the provision on such borrower accounts, as per the requirement of Ind AS.

While the methodologies and assumptions applied in the impairment loss allowance calculations remained unchanged from those applied while preparing the financial results for the year ended 31 March 2020, the Company has separately incorporated estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic in the measurement of impairment loss allowance for the period ended 30 September 2020. In addition to the 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 6,452 lakhs as at 30 September 2020 including an additional impairment provision amounting to INR 534 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, 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 Disclosure as required under RBI notification no. RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 dated 17 April 2020 on COVID-19 Regulatory Package - Asset Classification and Provisioning:

Particulars	(Rupees in Lakhs)
	As at 30 September 2020
i) Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended *	44,895.26
ii) Respective amount where asset classification benefits is extended **	7,849.92
iii) Provision made on the cases where asset classification benefit is extended ***	1,001.33
In respect of accounts in default but standard where moratorium is granted, and asset classification benefit is extended, the Company has made general provisions of not less than 10 per cent of the total outstanding of such accounts as applicable as at 30 September 2020	
iv) Provisions adjusted during the respective accounting periods against slippages and the residual provisions	NA

* Outstanding as on 30 September 2020 on account of all cases where moratorium benefit is extended by the Company up to 31 August 2020.

** Outstanding on account of cases where the asset classification benefit is extended as on 30 September 2020 for cases which were entitled to a moratorium until 31 August 2020.

*** The Company has made provision for impairment loss allowance (as per Expected credit loss model) for the period ended September 30, 2020.

9 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 13 March 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 30 September 2020 and accordingly, no amount is required to be transferred to impairment reserve.

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

Place: Chennai
Date: 6 November 2020



For and on behalf of the Board of Directors

D. Lakshmi Pathy
Chairman and Managing Director

Five-Star Business Finance Limited

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Notes:

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	-
(iv) Securitisation (Pass through certificates)	-	-	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 30 September 2020 is 1.44

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.213,425.09 Lakhs

k) Net profit after tax:

Rs.18,913.28 Lakhs

l) Earnings Per share:

(i) Basic 73.89
(ii) Diluted 72.24

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

** Net Worth is equal to Paid up Equity Share Capital + Reserve



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	INE128S07135 & INE128S07143	Interest	25	07-10-2020	Paid
3	INE128S07234 & INE128S07242	Interest	15	15-10-2020	Paid
4	INE128S07275	Principal	45	28-09-2020	Paid
5	INE128S07259	Principal	30	28-09-2020	Paid
6	INE128S07267	Interest	24	31-08-2020	Paid
7	INE128S07317	Interest	5	28-09-2020	Paid
8	INE128S07325	Interest	65	28-09-2020	Paid
9	INE128S07333	Interest	65	28-09-2020	Paid
10	INE128S07341	Interest	65	28-09-2020	Paid
11	INE128S07358	Interest	55	29-09-2020	Paid
12	INE128S07374	Interest	180	29-09-2020	Paid
13	INE128S07390	Interest	180	29-09-2020	Paid
14	INE128S07408	Interest	185	29-09-2020	Paid
15	INE128S07366	Interest	30	02-11-2020	Paid
16	INE128S07416	Interest	125	28-08-2020	Paid
17	INE128S07424	Interest	15	30-09-2020	Paid
18	INE128S07440	Interest	25	14-09-2020	Paid
19	INE128S07457	Interest	115	21-10-2020	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	INE128S07135 & INE128S07143	Interest & Principal	25	07-11-2020
3	INE128S07234 & INE128S07242	Interest	15	15-11-2020
4	INE128S07275	Interest & Principal	45	28-12-2020
5	INE128S07259	Interest & Principal	30	28-12-2020
6	INE128S07267	Interest	24	26-02-2021
7	INE128S07317	Interest	5	28-12-2020
8	INE128S07325	Interest	65	28-12-2020
9	INE128S07333	Interest	65	28-12-2020
10	INE128S07341	Interest	65	28-12-2020
11	INE128S07358	Interest	55	29-12-2020
12	INE128S07374	Interest	180	29-12-2020
13	INE128S07390	Interest	180	29-12-2020
14	INE128S07408	Interest	185	29-12-2020
15	INE128S07366	Interest	30	30-11-2020
16	INE128S07416	Interest	125	28-02-2021
17	INE128S07424	Interest	15	31-12-2020
18	INE128S07432	Interest	15	28-05-2021
19	INE128S07440	Interest	25	12-12-2020
20	INE128S07457	Interest	115	21-01-2021
21	INE128S07465	Interest	50	03-07-2021
22	INE128S07473	Interest	100	31-07-2021
23	INE128S07481	Interest	50	20-08-2021
24	INE128S07499	Interest	25	22-02-2023
25	INE128S07507	Interest	70	30-03-2021

