

Five Star Business Finance Concludes US\$234 mn Investment Round

Investment to advance Five Star's mission of bringing financing solutions to small businesses

MUMBAI & CHENNAI, India – March 26, 2021 – A consortium of leading global and Indian investment firms today announced the signing of definitive agreements to invest US\$234 million (INR17 billion) in Five-Star Business Finance Limited (“Five Star” or the “Company”), a leading Indian lender to small businesses. The round included investment by existing investors in the Company – led by Sequoia Capital India with participation from Norwest Venture Partners – as well as new investors, led by KKR with participation from TVS Capital. The investment values the Company at US\$1.4 billion (INR103 billion).

The investment will be made through a combination of primary infusion in the Company and secondary shares sold by existing investor Morgan Stanley Private Equity. The Company's other existing investors - Martix Partners and TPG Capital - continue to stay invested. Five Star plans to use the capital to expand its lending business to provide much-needed financing solutions to more of India's small businesses, which comprise a large and growing segment of the country's economy.

D Lakshmipathy, Chairman and Managing Director of Five Star, said, “In our mission of ‘Funding the unfunded,’ we have created a niche for ourselves empowering small businesses and the self-employed across corners of India by providing them with reliable and responsible funding alternatives. We aim to achieve this social goal through grass-root efforts without compromising on the pillars of asset quality and profitability that are needed to build a sustainable institution of scale. We are grateful to our existing investors - Sequoia Capital India and Norwest for further reposing their faith in us, and we are particularly excited to welcome our new investors – KKR through its Global Impact Fund, which shares our mission of financial inclusion – and TVS Capital, backed by one of the most respected business houses of South India. We are greatly thankful to Morgan Stanley Private Equity fund and specifically Arjun Saigal, for having been one of our earliest backers and it is immensely satisfying to have been able to provide them with an excellent financial return.”

The investment sees existing investors Sequoia Capital India and Norwest strengthen their commitment to the Company.

G V Ravishankar, Managing Director, Sequoia India, remarked, “Sequoia Capital India is delighted to be investors in Five Star and are strong believers in their business model that bridges the large credit gap that exists for small and micro enterprises. The strength of the founder and the management team, along with the credit processes are visible in how the company has navigated several small and large disruptions including demonetization, GST and now Covid-19 related challenges. The firm is happy to strengthen its partnership with Five Star as the company embarks on its next leg of growth - from being successful to becoming significant in the industry.”

Niren Shah, Managing Director, Norwest India, remarked, “We are delighted to be deepening our partnership with Five Star as they reach 10x of the scale compared to when we first invested. Led by the vision of Mr D Lakshmipathy, Five Star has executed exceptionally towards its goal of funding and empowering micro business entrepreneurs across India in a scalable way. Five Star is well loved by its customers and continues to have the finest asset quality together with strong growth and robust profitability.”

The introduction of high-caliber global and Indian investors KKR and TVS Capital is a further endorsement of Five Star's differentiation in the market, the strength of its team, and the impact that Five Star provides to business owners across India.

Gaurav Trehan, Partner at KKR, said, "KKR is extremely excited to invest in Five Star and advance its mission to provide crucial funding to un-banked and under-banked populations in India. The company is a true pioneer in the market having supported the growth MSMEs for decades, playing an important role in India's economy. Five Star is a terrific example of the type of solutions-oriented business that KKR looks to support through its Global Impact strategy and in India, and we look forward to working with Mr. Lakshmipathy and his team to build on Five Star's long-term success."

Gopal Srinivasan, Managing Director, TVS Capital, said, "Five Star has positioned itself as the best-in-class MSME lender in India's "missing middle" with supreme operational efficiency, appreciating the on-ground realities faced by self-employed own-account enterprises. In its continued pursuit of empowering next generation entrepreneurs, TVS Capital is proud to partner with Shri Lakshmipathy, joining him in his vision of building Five Star into a pan-India preferred MSME lender through a continued focus on execution excellence and digital initiatives."

KKR's investment is part of its Global Impact strategy, and marks KKR Global Impact Fund's second investment in India and fifth in Asia Pacific. The Global Impact Fund is focused on generating risk-adjusted returns by investing in companies that contribute toward the United Nations Sustainable Development Goals ("SDGs"). Given its core mission to enhance and broaden financial access and inclusion, Five Star's core business directly contributes toward SDG 1 (No Poverty), and SDG 9 (Industry, Innovation and Infrastructure).

About Five Star Business Finance

There are approximately 60 million MSMEs across industries in the market, which employ an aggregate of 125 million people and account for over 30% of India's GDP¹. However, many of these businesses have limited access to funding. Five Star looks to provide a solution by bridging this funding gap. The Company was launched with the mission of helping a broad range of small business owners meet their borrowing requirements to launch, expand and strengthen the capital profile of their businesses.

Five Star Business Finance is a registered non-banking finance company and is headquartered in Chennai. It offers collateralized loans based on a thorough assessment of a borrower's business and household cash flows to adequately and thoughtfully size loans to set borrowers up for success. Five Star has its presence in 262 branches spread across eight states of India in the Southern and Central part of the country. As of 31st Dec 2020, the company's AUM stood at Rs. 4030 crs and its GNPA stood at 1.29%. For more information, visit www.fivestargroup.in

¹ Source: International Finance Corporation, India's Ministry of Micro, Small and Medium Enterprises

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