



Press Release

Finstars Capital Limited (FCL)

January 24, 2025

Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Non-Convertible Debentures (NCDs)	50.00	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Rating Reaffirmed	Simple
Total	50.00 (Rupees fifty crore only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale:

As on 30th Dec 2024, FCL has requested for reclassification of Proposed NCDs as it has raised NCDs worth Rs. 25.00 crore out of Rs 50.0 crore of NCDs rated by Infomerics. Accordingly, the proposed NCDs have been reclassified.

Infomerics Ratings has reaffirmed the ratings assigned to the NCDs of FCL based on the improving scale of operations, comfortable capitalization, established presence with support from the Sunrise Group. However, the ratings are partially constrained by average asset quality, geographical concentration, intense competition and susceptibility to regulatory changes.

Infomerics Ratings expects outlook to remain stable on account of expected growth in asset under management (AUM) on account of comfortable capitalization levels coupled with capital infused by the promoters through its group company and increasing footprint through new branches added in FY24.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained scaling up its operations by diversifying its loan portfolio geographically, while maintaining healthy asset quality, adequate capital position, liquidity and profitability.



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Downward Factors

- Substantial deterioration in operations impacting capital position, liquidity, and profitability.
- Adverse movements in collection efficiency impacting FCL's asset quality.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Improving scale of operations with healthy NIM**

FCL's AUM has grown y-o-y by ~94% to Rs. 100.66 crore in FY24 (refers to period 1st April 2023 – 31st March 2024) driven by the growth in the business loan segment. Also, FCL's net interest income (NII) has grown y-o-y by ~77% to Rs. 13.38 crore in FY24 on back of growth in loan assets. FCL's net interest margin (NIM) though remains healthy has moderated to 9.84% in FY24 (FY23: 11.74%) on account of lower yield on advances and higher disbursement in H2FY24 leading to lower realisation. Infomerics Ratings expects FCL's AUM growth momentum to continue given the growth capital infused by the promoters and increased footprint with new branches added in FY24.

- **Comfortable Capitalization**

FCL's capital to risk weighted assets ratio (CRAR) stood comfortable at 60.82% in FY24 (FY23: 29.12%) which is well above the minimum regulatory requirement which can be attributed to increase in tangible net worth to Rs. 61.05 crore in FY24 (FY23: Rs. 15.05 crore) due to infusion of subordinated unsecured loans from the promoters. Infomerics Ratings expects FCL's capitalization levels to remain comfortable in FY25 on back of continued support from the promoters.

- **Established presence with support from the Sunrise Group**

Sunrise Group is a prominent player in India's fixed income market and has expanded into the NBFC sector over the past five years. The group comprises two



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key entities: Sunrise Gilts and Securities Private Limited (SGSPL), registered with SEBI as a dealer in fixed income securities and FCL registered with both RBI as an NBFC and SEBI as a dealer in fixed income securities. The group companies share common shareholders, directors, and management, operate from the same corporate office, and manage funds collectively.

Over the years, Sunrise Group has provided financial support to FCL in the form of inter corporate deposits (ICDs) / unsecured loans (Rs. 43 crore in FY24). As per the management, the group infuses and withdraw funds (Rs. 170.82 crore in FY24) regularly over the years to facilitate security transactions as well as to meet any short-term liquidity mismatch.

Key Rating Weaknesses

- **Average Asset Quality**

FCL's asset quality is average marked by gross non-performing asset (GNPA) and net non-performing asset (NNPA) at 2.23% & 1.98% for FY24 respectively (FY23: 1.51% & 1.14%). NPAs have increased in FY24 due to revision in NPA recognition policy of FCL to 150 days in FY24 from 180 days in FY23. The ability of FCL to improve its asset quality amidst changing NPA recognition policy will be a key rating monitorable

- **Geographical concentration**

FCL's operations are primarily concentrated in the state of Gujarat leading to high geographical concentration risk. Any change in the regulatory and microeconomic environment in the state of Gujarat may negatively impact the operating profile of FCL.

- **Intense competition and susceptibility to regulatory changes**

FCL is exposed to intense competition within the financial services sector, often contending with traditional banks as well as emerging fintech companies vying for market share and customer loyalty. Additionally, NBFCs in India are highly susceptible to changes in the regulatory environment. Government policies,



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regulatory reforms, and compliance requirements can directly impact their operations, liquidity management, and profitability. Therefore, navigating these competitive pressures and regulatory dynamics is crucial for FCL to sustain growth and maintain stability.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Financial Institutions/NBFCs](#)

[Financial Ratios & Interpretation \(Financial Sector\)](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments](#)

Liquidity –Adequate

Considering its asset size, FCL's CRAR stood at a comfortable at 60.82% in FY24 which is well above the minimum regulatory requirement as on 31st March 2024. Also, it has adequately matched asset liability profile as on March 31, 2024, across all the buckets. Moreover, Cash and cash equivalent stood at Rs. 0.32 crore as on 31 March 2024.

About the Company

FCL was incorporated in 1989, as Gopalka Motor Finance limited and was involved in providing Motor Finance. In 2017, the promoters of Sunrise Group took over control of the company and changed the name of Finstars Capital Limited. FCL is a registered NBFC with Reserve Bank of India and also operates as a market facilitator and principal book runner for government securities (G-Secs), state development loans (SDLs), government-guaranteed debt and highly rated corporate bonds on a matched principal basis.



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Financials (Standalone):

For the year ended* / As on	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Income	13.10	18.25
PAT	2.36	3.01
Tangible Net worth	15.05	61.05
Total Loan Assets	51.74	100.66
Ratios		
NIM (%)	11.74	9.84
ROTA (%)	5.54	3.76
Interest Coverage (times)	2.05	1.69
Total CRAR (%)	29.12	60.82
Gross NPA [Stage III] (%)	1.51	2.23
Net NPA [Stage III] (%)	1.14	1.98

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
				-	July 01, 2025	-	-
1.	NCD - I	Long Term	10.00	IVR BBB- / Stable	IVR BBB- / Stable	-	-
2.	NCD - II	Long Term	15.00	IVR BBB- / Stable	IVR BBB- / Stable	-	-
3.	NCD- III	Long Term	10.00	IVR BBB- / Stable	IVR BBB- / Stable	-	-
4.	NCD- IV	Long Term	15.00	IVR BBB- / Stable	IVR BBB- / Stable		

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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Annexure 1: Instrument/Facility Details

Name of instrument	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Listing Status	Rating Assigned/ Outlook
NCD – I	INE08XA07011	13 th Oct 2022	12.06%	13 th Oct 2025	10.00	Listed	IVR BBB- / Stable
NCD – II	INE08XA07029	13 th Oct 2022	12.06%	13 th Oct 2027	15.00	Listed	IVR BBB- / Stable
NCD -III	INE08XA07037	30 th Aug, 2024	12.06%	30 th Aug, 2027	10.00	Listed	IVR BBB- / Stable
NCD -IV	INE08XA07045	30 th Aug, 2024	12.06%	30 th Aug, 2029	15.00	Listed	IVR BBB- / Stable

Annexure 2: Facility wise lender details: Not Applicable

Annexure 3: Detailed explanation of covenants of the rated instruments:

ISIN No.	INE08XA07011
Issue Date	13 th Oct 2022
Issuer	Finstars Capital Limited(The “Issuer”)
Security Name	12.06% Finstars Capital Limited 2025
Series	Series I - 2022-23
Type of Instrument	Listed, Rated, Secured, Redeemable, Non-Convertible Debentures (NCDs)
Mode of Issue	Private Placement
Issue Size	Rs. 10.00 crores
Coupon Rate	12.06%
Redemption Date	13 th Oct 2025
All Covenants of the Issue	1. Default in payment: In case of default in payment principal redemption on the due dates, penal interest of at least @ 2% p.a.



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	<p>will be payable by the Issuer for the defaulting period on the defaulted amount. 2. Security Creation: In case of delay of security creation before making listing application then the Issuer shall refund the subscription amount along with penal interest at the of 2.00% p.a. for period of delay in creation of security beyond such time period. 3. Listing Delay: In case of delay in listing of the Debentures beyond 4 working days from the Date of Closure of Issue, the Company will pay penal interest @1 % p.a. for the period of delay to the investor (i.e. from the date of allotment to the date of listing). On the happening of any of the event of default, in addition to the rights specified above, the debenture Holders/ debenture Trustees shall have the right as indicated in the SEBI Regulations/ Companies Act 2013 from time to time.</p>
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ISIN No.	INE08XA07029
Issue Date	13 th Oct 2022
Issuer	Finstars Capital Limited(The "Issuer")
Security Name	12.06% Finstars Capital Limited 2027
Series	Series II - 2022-23
Type of Instrument	Listed, Rated, Secured, Redeemable, Non-Convertible Debentures (NCDs)
Mode of Issue	Private Placement
Issue Size	Rs. 15.00 crores



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Coupon Rate	12.06%
Redemption Date	13 th October 2027
All Covenants of the Issue	<p>1. Default in payment: In case of default in payment principal redemption on the due dates, penal interest of at least @ 2% p.a. will be payable by the Issuer for the defaulting period on the defaulted amount.</p> <p>2. Security Creation: In case of delay of security creation before making listing application then the Issuer shall refund the subscription amount along with penal interest at the of 2.00% p.a. for period of delay in creation of security beyond such time period.</p> <p>3. Listing Delay: In case of delay in listing of the Debentures beyond 4 working days from the Date of Closure of Issue, the Company will pay penal interest @1 % p.a. for the period of delay to the investor (i.e. from the date of allotment to the date of listing). On the happening of any of the event of default, in addition to the rights specified above, the debenture Holders/ debenture Trustees shall have the right as indicated in the SEBI Regulations/ Companies Act 2013 from time to time.</p>



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ISIN No.	INE08XA07037
Issue Date	30th Aug, 2024
Issuer	Finstars Capital Limited(The "Issuer")
Security Name	12.06% Finstars Capital Limited 2027
Series	Series I - 2024-25
Type of Instrument	Listed, Rated, Secured, Redeemable, Non-Convertible Debentures (NCDs)
Mode of Issue	Private Placement
Issue Size	Rs. 10 crores
Coupon Rate	12.06%
Tenure	3 years from date of issue
Covenants of the issue	Affirmative Covenants, To utilise the proceeds of this issue in accordance with applicable laws and regulations; To comply with corporate governance, fair practices code prescribed by the RBI and SEBI; c. Notification of any potential Event of Default or Event of Default; d. Obtain, comply with and maintain all licenses / authorizations; e. Provide details of any material litigation, arbitration or administrative proceedings (more than 10% of the net worth); f. Maintain internal control for the purpose of (i) preventing fraud on monies lent by the Company; and (ii) preventing money being used for money laundering or illegal purposes; g. Permit visits and inspection of books of records, documents and accounts to debenture holders as and when required by them; h. Comply with any monitoring



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	<p>and/or servicing requests from Debenture Holders. , Negative Covenants, The Issuer shall not without the prior written permission/intimation of the majority Debenture Holders and Debenture Trustee, do or undertake to do any of the following: a. Change in management control or change in control or related change in composition of the Board without prior intimation to the Debenture Holders; Mergers, restructuring, amalgamation without approval of majority Debenture Holders; c. The Issuer shall not, without the prior approval of Debenture Holders, enter into any transaction of merger, de-merger, consolidation, re-organization, scheme of arrangement (except within the group) or compromise with its creditors or shareholders or effect any scheme of amalgamation or reconstruction; provided however that this restriction shall not apply in the event that the compliance with this restriction would result in the Issuer defaulting in relation to any of its payment obligations in relation to the Debentures;. The Issuer will not purchase or redeem any of its issued shares or reduce its share capital without the majority Debenture Holders' prior written consent; e. Issuer shall not amend or modify clauses in its Memorandum of Association and Article of Association, where such amendment would</p>
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	have a Material Adverse Effect as defined earlier, without prior consent of the Debenture Trustee Unless mandated by law, Issuer shall not change its financial year-end from 31st March (or such other date as may be approved by Debenture Holders) without prior consent of the Debenture Trustee; Any sale of assets/business/division that has the effect of exiting the business or re-structuring of the existing business, to be with the prior consent of the majority debenture holder, The issuer shall not declare dividend or do buy back of equity shares if an Event of Default has occurred and is subsisting, h. The issuer shall not undertake any new major new business outside financial services or any diversification of its business outside financial services, without approval of majority NCD holders.
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ISIN No.	INE08XA07045
Issue Date	30th Aug, 2024
Issuer	Finstars Capital Limited (The "Issuer")
Security Name	12.06% Finstars Capital Limited 2029
Series	Series II - 2024-25
Type of Instrument	Listed, Rated, Secured, Redeemable, Non-Convertible Debentures (NCDs)
Mode of Issue	Private Placement
Issue Size	Rs. 15 crores
Coupon Rate	12.06%



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Tenure	5 years from date of issue
Covenants of the issue	<p>Affirmative Covenants, To utilise the proceeds of this issue in accordance with applicable laws and regulations; To comply with corporate governance, fair practices code prescribed by the RBI and SEBI; c. Notification of any potential Event of Default or Event of Default; d. Obtain, comply with and maintain all licenses / authorizations; e. Provide details of any material litigation, arbitration or administrative proceedings (more than 10% of the net worth); f. Maintain internal control for the purpose of (i) preventing fraud on monies lent by the Company; and (ii) preventing money being used for money laundering or illegal purposes; g. Permit visits and inspection of books of records, documents and accounts to debenture holders as and when required by them; h. Comply with any monitoring and/or servicing requests from Debenture Holders. , Negative Covenants, The Issuer shall not without the prior written permission/intimation of the majority Debenture Holders and Debenture Trustee, do or undertake to do any of the following: a. Change in management control or change in control or related change in composition of the Board without prior intimation to the Debenture Holders; Mergers, restructuring, amalgamation without approval of majority</p>



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	<p>Debenture Holders; c. The Issuer shall not, without the prior approval of Debenture Holders, enter into any transaction of merger, de-merger, consolidation, re-organization, scheme of arrangement (except within the group) or compromise with its creditors or shareholders or effect any scheme of amalgamation or reconstruction; provided however that this restriction shall not apply in the event that the compliance with this restriction would result in the Issuer defaulting in relation to any of its payment obligations in relation to the Debentures;. The Issuer will not purchase or redeem any of its issued shares or reduce its share capital without the majority Debenture Holders' prior written consent; e. Issuer shall not amend or modify clauses in its Memorandum of Association and Article of Association, where such amendment would have a Material Adverse Effect as defined earlier, without prior consent of the Debenture Trustee Unless mandated by law, Issuer shall not change its financial year-end from 31st March (or such other date as may be approved by Debenture Holders) without prior consent of the Debenture Trustee; Any sale of assets/business/division that has the effect of exiting the business or re-structuring of the existing business, to be with the prior consent of the majority debenture holder,</p>
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	<p>The issuer shall not declare dividend or do buy back of equity shares if an Event of Default has occurred and is subsisting, h.</p> <p>The issuer shall not undertake any new major new business outside financial services or any diversification of its business outside financial services, without approval of majority NCD holders.</p>
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Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.