Press Release

FINSTARS CAPITAL LIMITED

June 17, 2026

Long-term rating of ACER BBB- (Stable) assigned to the Non-Convertible Debentures

Rating Action

Instrument	Date of Issuance	Coupon Rate (%)	Maturity date	Amount (Rs. crore)	Rating with Outlook	Regulator#
Non-Convertible Debentures (NCDs)	13-10-2022	11.07-12.06	30-08-2029	55.00	ACER BBB- (Stable); assigned	SEBI
#Please refer to Annexure V containing the list of activities/instruments and their respective regulators. For activities/instruments regulated by authorities other than SEBI, SEBI's investor protection mechanisms and grievance/dispute redressal mechanisms shall not be available.						

Refer to Annexure I for details of instruments

Brief Summary of the Rating Action

The assigned rating considers the improvement in the modest scale of geographically concentrated operations and the improvement in diversity of revenue streams in FY2026. The rating considers the likelihood of sustained growth in both NBFC and securities trading businesses in FY2027. Further, the existing NBFC business has a majority secured portfolio, which mitigates the risk of under recoveries. The rating considers the experience of the promoters in running the business and implicit support from the Sunrise Group entities, some of which are in the same line of business, and all Group entities have directors from the same family. The rating factors FCL's comfortable credit metrics and prudent capital adequacy, that was above the regulatory requirements. ACER notes that FCL's write-off of overdue loans led to an improvement in the asset quality indicators in FY2026, and the asset quality trends over the medium term will remain a key monitorable. ACER notes that FCL is vulnerable to the uncertainties related to increased competition, technological advancements and changes in the regulatory environment, and any material impact on FCL will remain monitorable.

Analytical Approach

ACER considers the standalone profile of Finstars Capital Limited (FCL). However, it notes that the directors of Sunrise Group entities and FCL are from the same promoter family.

Key Rating Drivers

Credit Strengths

Established Management Track Record; Diversity in Revenue Streams Likely to Sustain in FY2027-28

FCL started operations in the secured (mortgage-backed business loans) and unsecured lending (lending to microfinance institutions), but focuses mainly on secured lending. The management has an established track record of running the business, which provides secured business loans to Micro, Small and Medium Enterprises (MSMEs), with adequate collateral coverage. In addition, FCL has reported steady revenue from the securities trading market, which has supported diversity in revenue that is likely to continue in FY2027-28. FCL reported a loan portfolio of Rs. 109.03 crore as on March 31, 2026, of which 61% consisted of business loans, around 38.5% was secured loans against property (LAP), and a small part was unsecured microfinance lending. The focus on collateral-backed lending, coupled with prudent underwriting standards, supports the overall risk profile of the loan book and limits vulnerability to severe asset quality deterioration.

Comfortable capitalisation levels

FCL's capitalisation profile remained comfortable with a tier-1 CRAR of 22.72% as on March 31, 2026 (March 31, 2025: 20.78%) and remained above the regulatory requirements. The improvement in capitalisation profile was led by promoter support as evident in the increase in the equity capital and infusion of unsecured loans (characterised as quasi equity) by related entities, friends and family in FY2025. Going forward, FCL's ability to maintain adequate capitalisation levels will remain a key rating monitorable.

Credit Weakness

Moderate Asset Quality Factoring Write-offs
FCL's asset quality profile remains exposed to credit risks inherent in the MSME lending segment, where the losses need to be factored until the underlying collateral is realised. The company's GNPA and NNPA ratios increased sharply to 5.52% and 5.15%, respectively, as on March 31, 2025, before moderating to 2.54% and 2.06%, respectively, as on March 31, 2026, mainly on account of write-offs of Rs. 4.85 crore during FY2026 in the microfinance and LAP portfolio. While the management expects partial recovery of the written-off portfolio, the extent and timelines of this recovery remain to be seen. Going forward, FCL's ability to maintain asset quality indicators, contain fresh slippages (especially in harder delinquency buckets), and improve recovery will remain a key monitorable.

Modest Scale of Operations and Geographic Concentration
FCL reported a modest scale of operations with an on-book loan portfolio of Rs. 109.03 crore as on March 31, 2026 (March 31, 2025: Rs. 118.63 crore) on account of cautious and low disbursements compared to the previous year. The scale of operations has been modest over FY2024-2026 and has been concentrated in the state of Gujarat. Consequently, the company's performance remains susceptible to adverse economic developments and borrower stress within the state. The ability of the company to improve the scale of operations, while maintaining asset quality indicators and reducing geographical concentration, will remain a key monitorable.

High Competition and Uncertainties Around Evolving Regulatory Environment
The sector is exposed to low entry barriers and high competition in the securities trading and lending ecosystem. The heightened competition is likely to keep high pricing pressure for smaller players such as FCL. However, the presence of Sunrise Group in the same space may be a mitigant particularly for the initial offtake of securities trading operations at FCL.

Further, the evolving regulatory environment and extant compliances around the NBFC operations and securities trading operations may challenge the operations at FCL until it stabilises in the medium term. Additionally, maintenance of information technology and security systems to avoid any data leaks or non-compliance with norms will be a key monitorable.

Liquidity position: Adequate

FCL’s overall liquidity profile is adequate. As of March 31, 2026, FCL’s tier-1 CRAR stood at 22.72%, which is above the minimum regulatory requirements. The company’s assets and liabilities are well matched with no deficit in any of the time buckets up to 5 years as on March 31, 2026. The recently sanctioned limit of Rs. 142 crore of cash credit facility is largely utilised by FCL towards trading of government securities. The company reported unencumbered cash and liquid investments of Rs. 1.24 crore as on March 31, 2026.

Rating sensitivities

Positive factors: Improvement in the scale of operations, diversity in revenue streams and profitability, leading to improvement in credit metrics with interest coverage remaining above 2.25x, along with improvement in liquidity position, all on a sustained basis, may warrant a positive rating action.

Negative factors: Any deterioration in the scale of operations and profitability, leading to weakening of credit metrics and interest coverage remaining below 1.25x, and/or deterioration in liquidity position, on a sustained basis, may warrant a negative rating action.

Status of non-cooperation with previous CRA (if applicable): Not applicable

About the Company

Finstars Capital Limited (FCL) was incorporated in 1989 as Gopalka Motor Finance Limited. Subsequently, the promoters of the Sunrise Group acquired control of the company and renamed it Finstars Capital Limited in 2017. The company is a non-deposit-taking Non-Banking Financial Company (NBFC) registered with the Reserve Bank of India (RBI) and is headquartered in Ahmedabad, Gujarat. FCL primarily provides secured business loans to MSMEs. The company leverages technology-enabled processes to support its lending operations. In addition to its lending business, FCL also undertakes trading in securities.

Key Financial Indicators (Standalone)

Particulars (Rs. Crore)	FY2024	FY2025	FY2026
Total Operating Income	18.24	18.76	23.84
EBITDA	10.62	11.05	14.04
PAT	3.00	1.71	4.76
Adjusted Debt	39.49	57.49	59.31
Adjusted Tangible Net Worth (ATNW)	61.14	58.31	48.54
Interest Coverage Ratio (Times)	1.78x	1.36x	1.85x
CRAR (%)	18.02%	20.78%	22.72%
Gross NPA (%)	2.21%	5.52%	2.54%
Net NPA (%)	1.96%	5.15%	2.06%

Source: FCL
All ratios as per ACER calculations

Any other information: None

Applicable Rating Criteria

Rating Criteria for Non-Banking Finance Companies and Financial Institutions
Criteria for Financial Ratios for the Financial Sector
Disclosure on Rating Outlook, Watch and Liquidity
Disclosure on the Complexity of Rated Instruments
Policy for Default Recognition

Rating history for the past three years

Sr. No.	Name of Security	Current Rating (FY2027)			Chronology of Rating History for the past 3 years		
		Type	Amount rated (Rs. Crore)	Rating	Date and Rating (FY2026)	Date and Rating (FY2025)	Date and Rating (FY2024)
1	Non-Convertible Debentures	Long Term	55.00	ACER BBB- (Stable) (17-06-2026)	-	-	-

Complexity level of the rated instruments

Instrument type	Complexity indicator
Non-Convertible Debentures	Simple

The complexity level reflects the relative ease of understanding the structure and expected cash flows of a rated instrument. It is not a measure of credit risk, which is indicated separately by the credit rating assigned by ACER. For details on ACER's Complexity of Rated Instruments, please refer to the relevant policy available on ACER's website: Click here

Annexure I: Instrument/Facility Details

ISIN	Instrument Name	Allotment date	Coupon rate	Redemption Date	Amount rated (Rs. Crore)	Current rating and outlook
INE08XA07029	Non-Convertible Debentures	13-10-2022	12.06%	13-10-2027	15.00	ACER BBB- (Stable)
INE08XA07037	Non-Convertible Debentures	30-08-2024	12.06%	30-08-2027	10.00	ACER BBB- (Stable)
INE08XA07045	Non-Convertible Debentures	30-08-2024	12.06%	30-08-2029	15.00	ACER BBB- (Stable)
INE08XA07052	Non-Convertible Debentures	09-12-2025	11.07%	09-12-2027	15.00	ACER BBB- (Stable)

Annexure II: Facility-wise lender details: Not Applicable

Annexure III: Key details and covenants of the rated instruments:

ISIN No.	INE08XA07029
Issue Date	13th October 2022
Security Name	12.06% Finstars Capital Limited 2027
Series	Series I - 2022-23_B
Type of Instrument	Listed, Rated, Secured, Redeemable, Non-Convertible Debentures (NCDs)
Issue Size	Rs. 15.00 crores
Coupon Rate	12.06%
Payment Frequency	Annually
End-use	The funds raised through this issue will be utilized for general business purpose of the Company including various financing activities, to repay our existing loans, investments for liquidity and statutory requirements, capital expenditure and working capital requirements.
Collateral/Security	The principal amount of the NCDs together with all interest, costs, charges in respect thereof have been secured by way of first pari passu charge to the extent of 1.10 times of Receivables/book debts of the Company.
Redemption Date	13th October 2027
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. 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.

ISIN No.	INE08XA07037
Issue Date	30th August 2024
Security Name	12.06% Finstars Capital Limited 2027
Series	Series I - 2024-25
Type of Instrument	Listed, Rated, Secured, Redeemable, Non-Convertible Debentures (NCDs)
Issue Size	Rs. 10.00 crores
Coupon Rate	12.06%
Payment Frequency	Monthly
End-use	• To fund long-term capital requirements for future growth of the company (5%) • To meet working capital requirement (5%) • To meet the General Corporate Purpose of the Company, including various financing activities, to repay our existing loans, investments for liquidity and statutory requirements, capital expenditure and working capital requirements, etc. (90%)
Collateral/Security	The principal amount of the NCDs, together with all interest, costs, and charges in respect thereof, has been secured by way of a first pari passu charge to the extent of 1.10 times the receivables/book debts of the Company.
Redemption Date	30th August 2027
Affirmative Covenants	a. To utilise the proceeds of this issue in accordance with applicable laws and regulations; b. 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/authorisations;

	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; b. 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, reorganization, 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; d. 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; f. 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; g. 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.

ISIN No.	INE08XA07045
Issue Date	30th August 2024
Security Name	12.06% Finstars Capital Limited 2029
Series	Series II - 2024-25
Type of Instrument	Listed, Rated, Secured, Redeemable, Non-Convertible Debentures (NCDs)
Issue Size	Rs. 15.00 crores
Coupon Rate	12.06%
Payment Frequency	Monthly
End-use	• To fund long term capital requirements for future growth of the company (5%) • To meet working capital requirement (5%) • To meet General Corporate Purpose of the Company including various financing activities, to repay our existing loans, investments for liquidity and statutory requirements, capital expenditure and working capital requirements etc (90%)
Collateral/Security	The principal amount of the NCDs together with all interest, costs, charges in respect thereof have been secured by way of first pari passu charge to the extent of 1.10 times of Receivables/book debts of the Company.
Redemption Date	30th August 2029

Affirmative Covenants	a. To utilise the proceeds of this issue in accordance with applicable laws and regulations; b. 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/authorisations; 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; b. 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, reorganization, 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; d. 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; f. 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; g. 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.

ISIN No.	INE08XA07052
Issue Date	9th December 2025
Security Name	11.07% Finstars Capital Limited 2027
Series	Series -1 2025-26
Type of Instrument	Listed, Rated, Secured, Redeemable, Non-Convertible Debentures (NCDs)
Issue Size	Rs. 15.00 crores
Coupon Rate	11.07%
Payment Frequency	Monthly
End-use	To augment long-term resources, general business purposes, financing activities, repayment of loans, liquidity and statutory requirements, capex, and working capital.
Collateral/Security	The principal amount of the NCDs together with all interest, costs, charges in respect thereof have been secured by way of first pari passu charge to the extent of 1.10 times of Receivables/book debts of the Company.

Redemption Date	9th December 2027
Affirmative Covenants	a. To utilise the proceeds of this issue in accordance with applicable laws and regulations; b. 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; b. 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, reorganization, 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; d. 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; f. 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; g. 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.

Annexure IV: List of companies considered for Consolidated analysis: Not Applicable

Annexure V: List of activities/instruments and names of regulators

A. Rating Activity

Sr. No.	Instrument/activity Name	Regulator of the instrument
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI)*	SEBI

Sr. No.	Instrument/activity Name	Regulator of the instrument
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI)*	SEBI
5	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FI's	MCA
6	Inter Corporate Deposits/Loans extended by Corporates	MCA
7	Borrowing programme ~	-
8	Issuer Ratings #	-
9	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
10	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
11	Listed Security Receipts	SEBI
12	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
13	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
14	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) *	Investor-side Regulator such as IRDAI, PFRDA @

** Includes securitisation transactions involving assignee payout, acquirer's payout.*
~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In Press Release(s) subsequent to issuance(s), CRA shall separately capture the rated quantum details along with names of respective regulators.
 # There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.
@ These ratings were assigned during regulatory regime prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side regulators have been included.

B. Other activities:

Sr. No.	Activity Name	Regulator of the activity
1	Monitoring Agency	SEBI
2	Research activities, incidental to rating, such as research for Economy, Industries and Companies @	NA

@permitted by SEBI vide SEBI Master Circular for CRAs.

Analytical Contacts

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