



RATING RATIONALE

7 July 2020

Starteck Finance Limited

Brickwork Ratings assigns 'BWR A/Stable' to Starteck Finance Limited

Particulars

Instrument**	Amount (₹ Cr)	Tenure	Rating*
Secured Non-Convertible Debentures #	150.00	Long Term	BWR A / Stable Assigned
Total	150.00	INR One Hundred and Fifty Crores Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of NCDs are provided in Annexure I.

Proposed.

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has assigned BWR A/Stable long-term rating for the proposed non-convertible debentures (NCDs) of Starteck Finance Limited (Starteck Finance or the company). The rating factors in the expectation of strong support from Sunteck Realty Limited (Sunteck), given the common promoter holding and commitment by Sunteck to BWR in this regard. Sunteck will support Starteck Finance to raise resources, expand its lending operations, and strengthen the asset liability management programme to ensure Starteck Finance meets its financial obligations in a timely manner. The rating also takes comfort from Starteck Finance's adequate capitalisation and ability of the company to scale up business, both through the captive channels of funding homebuyers of Sunteck and also through focus on mid income and affordable housing segments wherein the growth outlook remains favourable for the medium term. These strengths are, however, offset by the company's nascent stage of operations and limited experience in the financial services space.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has taken a standalone view on Starteck Finance and has factored in strong support from Sunteck, given the common promoters and synergies between Sunteck and Starteck Finance. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).



KEY RATING DRIVERS

Credit Strengths

Expectation of strong support from Sunteck: Sunteck and Starteck Finance have common promoters, and both these entities are of strategic importance to promoters. BWR believes promoters shall provide strong support to Starteck Finance. Sunteck has stated that it is committed to support Starteck Finance to meet its debt obligations on a timely basis. It will also ensure Starteck Finance is adequately capitalised, both as per regulatory requirements and also for future growth prospects.

Starteck Finance plans to focus on two segments, viz. housing finance and loans to small corporates/ MSMEs. Starteck Finance benefits from the vast experience and successful track record of promoter Mr. Kamal Khetan in the real estate industry and also benefits from the synergies with Sunteck. Starteck Finance intends to target the home buyers of Sunteck's various residential projects and expand its retail home loan portfolio.

Adequate capitalisation: The company is adequately capitalised currently with a net worth of Rs 107.63 Crs and low gearing of 0.82 times as on 31 March 2020. The networth cover for asset side risk is high as the company had nil net NPA as of 31 March 2020. The company plans to leverage its current net worth to grow its balance sheet. The company plans to raise debt and gradually increase its gearing level to around 3.5 times over the medium term to long term.

Credit Risks

Early stage of operations with exposure to group companies: The company is at its early stage of lending operations. Currently, the company parks its surplus funds with group companies by extending short-term loans that are repayable on demand. However, going forward, the company plans to focus on two segments, viz. housing finance and loans to small corporates/ MSMEs, which has the potential to expand. The company has also invested equity of Rs 11 Crs in its wholly-owned subsidiary Starteck Housing Finance Private Limited and has applied for a housing finance license. The company is expected to benefit from the synergies with Sunteck and expand its retail home loan portfolio by focusing on middle income and affordable housing segments. BWR expects exposure to group companies to come down significantly as the company grows its housing finance and corporate lending book. The company had witnessed some delinquencies in the past in its legacy portfolio, which have now been completely provided for. Starteck Finance's ability to grow its book profitably and also maintain healthy asset quality will be a key rating monitorable.

Geographic concentration risk: The company currently plans to focus only in the Mumbai Metropolitan Region (MMR) as Sunteck has a strong brand recall in the MMR region. The portfolio will be



concentrated in the MMR region in the medium term, resulting in geographic concentration risk for the company.

RATING SENSITIVITIES

Going forward, the company's ability to grow its lending portfolio while maintaining comfortable asset quality, improving profitability and maintaining healthy capitalisation and the majority shareholding by promoters and continued support from Sunteck will be key rating sensitivities.

Positive: The rating may be upgraded if the company is able to significantly grow its portfolio while having a healthy asset quality, improving profitability and maintaining healthy capitalisation or if there is a significant improvement in Sunteck's credit risk profile.

Negative: The rating may be downgraded if there is a reduction in strategic importance or expected support from the promoters and Sunteck or if there is significant deterioration in the credit risk profile of Sunteck or Starteck Finance.

LIQUIDITY POSITION: ADEQUATE

The company's liquidity position is adequate, with cash and cash equivalents of Rs 5.20 Crs and unutilised cash credit/overdraft limits of ~ Rs 7.00 Crs as on 31 March 2020. The company's monthly outflows towards interest and principal repayments is around Rs 0.75 Crs. The company's total borrowing consists of an overdraft limit of Rs 46.49 Crs, term loans of Rs 31.61 Crs and loans of Rs 9.21 Crs from group companies.

COMPANY PROFILE

Starteck Finance Limited (Starteck Finance) is a Non-Deposit taking, Non-Systemically Important (ND-NSI) NBFC registered with the RBI. The company was incorporated in 1985 and was formerly known as Nivedita Mercantile & Financing Limited. It was acquired by the current promoters Mr. Kamal Khetan and his family, who are also the promoters of Sunteck Realty Limited and held 65.38% of Starteck Finance as on 31 March 2020. Starteck Finance is a publicly listed company having its registered office in Mumbai.

The company plans to mainly focus on retail lending in two key segments, viz. housing finance and loans to small corporates/ MSMEs. The company is expected to benefit from the synergies with Sunteck, by targeting the home buyers of Sunteck's various residential projects.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY19	FY20
Result Type		Audited	Audited
Total Income	Rs in Crs	15.27	27.96
Net Profit	Rs in Crs	1.77	3.89
Net Worth	Rs in Crs	106.55	107.63
Gearing	In times	0.86	0.82
Total portfolio	Rs in Crs	130.57	107.98
Gross NPA	%	16.13%	5.84%
Net NPA	%	8.15%	Nil

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY: NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS (Including withdrawal & suspended)

Instrument	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	2019	2018	2017
Secured NCDs	Long Term	150.00	BWR A / Stable	NA	NA	NA
Total		150.00	INR One Hundred Fifty Crores Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Banks & Financial Institutions](#)
- [Ratings Based on Group Support](#)

Analytical Contacts	Investor and Media Relations
<p>Nirav Shah Senior Analyst - Ratings +91 22 6745 6623 Nirav.s@brickworkratings.com</p> <p>Vydianathan Ramaswamy Director & Head - Financial Sector Ratings +91 22 6745 6660 Vydianathan.r@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>

STARTECK FINANCE LIMITED

ANNEXURE I - INSTRUMENT (NCD) DETAILS

Instrument	Issue Date	Amount (Rs in Crs)	Coupon Rate	Maturity Date	ISIN Particulars
Secured NCDs #	--	150.00	--	--	--

- proposed.



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