

Star Housing Finance Limited

February 20, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	300.00	CARE D	Downgraded from CARE BBB-; Negative

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has downgraded bank facilities of Star Housing Finance Limited (SHFL) from 'CARE BBB-; Negative' to 'CARE D'. This action underscores SHFL's default on debt obligations with delays in term loan instalments to six lenders ranging from 1 to 11 days in February 2026, due to liquidity stress. SHFL's management confirmed that all overdue amounts have since been cleared, and the company claims to have made advance payments of debt instalments due in February 2026.

The default stemmed primarily from SHFL's stressed liquidity, triggered by an investor's accelerated redemption of non-convertible debentures (NCDs). As per company, NCDs were recalled on account of resignation of the company's Chief Financial Officer (CFO) and the position remaining vacant. The management claimed that though there was no breach of covenants on NCDs, they were recalled in December 2025. The company agreed to prepay NCDs and has made part payments in the last couple of months. The company misrepresented facts as recall of NCDs was neither disclosed to CareEdge Ratings in its surveillance in January 2026 nor has it been disclosed on stock exchanges.

SHFL had a reasonable liquidity buffer, with unencumbered cash and equivalents of ₹20 crore as of December 30, 2025, sufficient to cover approximately one month of debt repayments. However, the position deteriorated sharply following unscheduled acceleration of the NCD. As on February 19, 2026, liquidity plummeted to just ₹2.91 crore against ₹17.6 crore in scheduled debt obligations due in March 2026. As per management, downgrade of the credit rating to "default" will lead to a breach of lending covenants, further straining SHFL's fragile cash position.

In the 9MFY26 financials, the auditor highlighted liquidity stress in the company, noting delays in salary payments to employees. The auditor also drew attention to the strained cash flow position, indicating that the company may need continued reliance on external funding. However, the limited review report has not been qualified.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could, individually or collectively lead to positive rating action/upgrade:

- Timely servicing debt obligations (principal and interest) for minimum three continuous months.

Analytical approach: Standalone

Outlook: Not applicable

Detailed description of key rating drivers:

Key weaknesses

Delay in servicing of debt obligations

The company delayed payments to six lenders by 1 to 11 days in February 2026, due to liquidity stress arising from recall of NCD by an investor, despite no covenant breach. All overdue amounts have since been fully cleared, and the company claims to have made advance payments of debt instalments due in February 2026.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Liquidity: Poor

SHFL's liquidity remains poor as reflected by delays in debt servicing. A sharp decline in liquidity buffers due to recall of NCD has significantly impaired the company's financial and business risk profiles. As per management, downgrade of the credit rating to "default" will lead to breach of lending covenants, further straining SHFL's fragile cash position.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Housing Finance Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Housing finance company

SHFL is a small-sized housing finance company operating primarily in the affordable housing segment, with a focus on retail home loans to low-and-middle-income borrowers. The company has gradually expanded its presence and currently operates across six states through over 38 branches, with assets under management (AUM) of ₹570 crore as on December 31, 2025. The shareholding structure includes the promoter family and Arkfin Investments Private Limited (Arkin). Arkfin first invested in SHFL in 2019 and held 15.94% equity as on December 31, 2025.

Brief Financials - Standalone (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	December 31, 2025 (UA)
Total income	62	95	73
Profit after tax (PAT)	9	11	4
Assets under management (AUM)	427	521	570
On-book gearing (x)	2.41	2.84	2.75
AUM / tangible net-worth (TNW) (x)	3.22	3.67	3.92
Gross non-performing assets (NPA) / gross stage 3 (%)	1.50	1.84	1.84
Return on managed assets (ROMA) (%)	2.12	1.86	0.74
Capital adequacy ratio (CAR) (%)	54.65	50.55	NA

A: Audited UA: Unaudited; Note: these are latest available financial results

NA: Not available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	6.00	CARE D
Fund-based-Long Term	-	-	-	March 2033	294.00	CARE D

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based-Long Term	LT	294.00	CARE D	1)CARE BBB-; Negative (29-Jan-26)	1)CARE BBB; Stable (30-Oct-24)	1)CARE BBB; Stable (30-Oct-23) 2)CARE BBB; Stable (28-Aug-23)	1)CARE BBB-; Positive (03-Feb-23)
2	Fund-based - LT-Cash Credit	LT	6.00	CARE D	1)CARE BBB-; Negative (29-Jan-26)	1)CARE BBB; Stable (30-Oct-24)	1)CARE BBB; Stable (30-Oct-23) 2)CARE BBB; Stable (28-Aug-23)	1)CARE BBB-; Positive (03-Feb-23)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based-Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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