

Ratings

CRISIL Ratings Limited (A subsidiary of CRISIL Limited)



Rating Rationale

August 26, 2022 | Mumbai

Capsave Finance Private Limited

'CRISIL PPMLD A r /Stable' assigned to Long Term Principal Protected Market Linked Debentures;
'CRISIL A/Stable' assigned to Non Convertible Debentures; Rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.400 Crore (Enhanced from Rs.300 Crore)
Long Term Rating	CRISIL A/Stable (Reaffirmed)

Rs.75 Crore Long Term Principal Protected Market Linked Debentures	CRISIL PPMLD A r /Stable (Assigned)
Rs.35 Crore Non Convertible Debentures	CRISIL A/Stable (Assigned)
Rs.30 Crore Long Term Principal Protected Market Linked Debentures	CRISIL PPMLD A r /Stable (Reaffirmed)
Rs.50 Crore Long Term Principal Protected Market Linked Debentures	CRISIL PPMLD A r /Stable (Reaffirmed)
Rs.30 Crore Long Term Principal Protected Market Linked Debentures	CRISIL PPMLD A r /Stable (Reaffirmed)
Rs.20 Crore Non Convertible Debentures	CRISIL A/Stable (Reaffirmed)
Rs.125 Crore Non Convertible Debentures	CRISIL A/Stable (Reaffirmed)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its '**CRISIL PPMLD Ar/Stable**' rating to Rs 75 crore long term principal protected market linked debentures and '**CRISIL A/Stable**' to Rs 35 crore Non Convertible Debentures of Capsave Finance Private Limited (CFPL) and reaffirmed its '**CRISIL A/CRISIL PPMLD Ar/Stable**' ratings on other debt instruments and bank facilities.

The ratings continue to reflect company's demonstrated ability to scale-up its operations across product segments, while maintaining comfortable asset quality despite the challenging macroeconomic environment. Additionally, it also factors in the company's healthy capitalisation and strong earnings profile. The rating also continues to reflect the company's sound risk-controlled business model, supported by the extensive experience of the promoters and senior management.

CFPL has reported consistent growth in its assets under management (AUM); the company achieved assets under management (AUM) of Rs 1,132 crore as on March 31, 2022, registering 91% growth as compared to Rs 592 crore as on March 31, 2021. As on June 30, 2022, the company registered q-o-q growth of 10% and the assets under management stood at Rs 1,239 crore. The growth was driven by both leasing as well as supply chain financing segment that stood at Rs 771 crore and Rs 419 crore respectively as on June 30, 2022. Given that the lease finance is the core business for the company, it continues to contribute majority proportion and accounted for 62% of the overall AUM followed by supply chain financing (34%) and Equipment Financing and Loans (4%). The company ventured into equipment financing only in Q3 of fiscal 2022 and is expected to remain smaller in size compared to other segments.

The capitalisation metrics have been supported by the regular and timely equity raising. In fiscal 2022, the company received equity infusion of Rs 50 crore from its parent. The company's capitalisation metrics has also been supported by healthy internal accruals generated with return on managed assets being in the range of 5%-6% in the last 3 years. Consequently, the networth of the company stood at Rs 382 crores with gearing (including ICD from parent company) of 1.9 times as on June 30, 2022 (Rs 262 crore as on March 31, 2021); Gearing is expected to remain within 3 times over the medium term.

Furthermore, the company's asset quality has remained healthy with negligible non-performing assets (NPAs) in leasing business. However, in supply chain financing the company witnessed marginal slippages in 90+ bucket. The company reported GNPA at 0.9% as on June 30, 2022.

These strengths are partially offset by modest scale of operations and market position in the leasing business, limited track record in the SCF segment, and exposure to counterparty risks and at the end-of-lease-tenure process.

Analytical Approach

CRISIL Ratings has evaluated the standalone business, financial and management risk profiles of CFPL.

Key Rating Drivers & Detailed Description

Strengths:

- **Significant experience of the promoters and senior management**

The promoters, Mr. Jinesh Jain and Praveen Chauhan have over 20 years of experience in originating and structuring large operating lease deals, securitisation and asset life cycle management. Both the promoters, Mr. Jain (ex-country head, business development) and Mr. Chauhan (ex-country head, account management), have worked with Rent Works India Pvt Ltd (the Indian arm of Australia-based MNC). Rent Works was a global leasing and residual management company for more than three decades before it decided to wind-down its business in India in 2014 (as part of a global decision). The promoters have strong business acumen and considerable experience in lease rental and asset life cycle management. RAPL, along with other shareholders, has set up a senior team of experienced professionals to manage and run operations. The team has extensive experience in handling various functions in similar businesses including collections, back-end operations, credit and legal. The management has focused on putting in place sound systems and risk management processes, and building sourcing and credit underwriting abilities, enabling the scaling-up of operations while maintaining operating efficiency. The promoters have undertaken transactions through RAPL with outstanding value of lease business of Rs 2,883 crore as on March 31, 2022. During year ended March 31, 2022, RAPL has facilitated transactions of Rs 1,051 crore. CFPL's portfolio growth has been in line with its network size and hence CFPL's share of fresh business in the Group is expected to scale up commensurate to its network increase over time.

As on June 30, 2022, the company's overall portfolio stood at Rs 1,239 crore as compared to Rs 1,132 crore in fiscal 2022. The leasing portfolio witnessed growth of 11% and stood at Rs 771 crore as compared to Rs 696 crore in fiscal 2022. The company is an exclusive financing partner for a top information technology original equipment manufacturer (IT OEM) in India, which helps with origination of deals and provides the opportunity to grow its business volumes.

CRISIL Ratings notes that the company's focus has and continues to remain predominantly on the leasing business, CFPL has been able to have healthy and consistent growth in portfolio. Nevertheless, ability of the company to maintain this growth, especially, considering intense competition from large captive financiers in the industry, will remain key monitorable.

- **Healthy capitalisation metrics, driven by low gearing and regular capital raises**

As on June 30, 2022, networth was Rs 382 crore (Rs 262 crore as on March 31, 2021), and gearing was low at 1.9 times. However, if we exclude Inter corporate loans provided by RAPL, the gearing was low at 1.6 times. Capitalization metrics have been supported by the regular capital infusions in the past. RAPL has infused Rs 222 crore since inception, out of which Rs 50 crore of its net profit was infused in CFPL in Fiscal 2022. Besides, CFPL has Rs 113 crore of inter corporate deposits from RAPL majority of which will be retained in the business over the long term. RAPL will continue to invest a substantial portion of its net profit in CFPL to strengthen the network. Expected planned incremental capital and stable accretion to reserve will help CFPL to support the increasing scale of operations while maintaining comfortable gearing. The company's ability to raise equity capital in a timely manner is important from growth and credit perspectives.

- **Strong earnings profile**

The company has exhibited good track record of profitability since inception. The return on assets (RoA) has been in the range of 5.0% to 5.7% over the last 3 years. During the quarter ended June 30, 2022, the company report profit after tax of Rs 16 crore and RoA of 4.9% (Profit after tax of Rs 54 crore and RoA of 5.4% in fiscal 2022). The dip in RoA is mainly on account of change in the mix of the portfolio with lower yields in SFC segment compared to leasing segment. Profitability continues to remain strong and supported by comfortable asset quality metrics. Apart from higher yield, CFPL also benefits from low operating expenses as it has operational linkages with the parent. CFPL's ability to maintain healthy operating margin as it scales up will be a key monitorable.

- **Comfortable asset quality backed by sound risk-controlled business model**

The company's asset quality under leasing segment has always been healthy with negligible NPAs. However, the company reported marginal slippages in 90+ bucket under supply chain financing segment. The company reported GNPA of 0.9% as on June 30, 2022 (0.1% as on March 31, 2022). The asset quality for lease finance is backed by strong collateral to mitigate counterparty credit and end-of-lease-term risks. In the SCF segment, the credit risk profiles of the customers are varied such as multinational company (MNC) subsidiaries in India, startups, Indian corporates and companies backed by anchors. The tenure of the loan is 90-120 days and linked to the anchor's working capital cycle. The company has structured inherent checks for effective risk management that include defined lending policy, rigorous underwriting process and dedicated due diligence team, which helps to maintain asset quality. The credit team evaluates key points while assessing the credit risk profile of a client, such as purpose of transaction, long-term assessment, financials, bank statements and management quality. The disbursement is concluded after passing several levels of scrutiny and checks, mainly centered on cash flow evaluation, and credit bureau and reference checks. The company has a high rejection rate for applications wherein there is lack of visibility or inadequate cash flow. The asset quality of the lease rental book has remained comfortable; however, as the company is in the process of scaling up the SCF portfolio, the ability to maintain overall asset quality while growing the business will be a key monitorable.

- **Improved resource profile**

As on June 30, 2022, CFPL had funding relationships with more than 20 lenders. The funding profile comprises term loans, NCDs, cash credit and working capital loans, PTC transactions and ICDs from the parent. CFPL raised around Rs 135 crore during April 2022 to June 2022 and continues to demonstrate the ability to raise funds in a timely manner at competitive pricing. The incremental cost of borrowing during quarter ended June 30, 2022, stood at 8.8%. CRISIL Ratings expects the company to continue having a strong and diversified resource base and benefit from lower borrowing costs.

Weaknesses:

- Limited track record in the SCF business**

The company's vintage into the SCF segment is limited since the company ventured into this business only in first quarter of fiscal 2020. As on June 30, 2022, the AUM for SCF stood at Rs 419 crore as compared to Rs 378 crore in fiscal 2022. Since the maturity period of this product ranges between 90 and 120 days, the company has witnessed 8 quarters. The borrower profile and underwriting process in this segment is similar to that of the leasing portfolio. While customers include MNC subsidiaries in India, startups, Indian corporates, and companies backed by anchors. Furthermore, the company takes adequate collateral to mitigate the asset quality risk. Since the company has witnessed minor slippages in the portfolio, CRISIL Ratings believes that the ability to scale-up the portfolio while maintaining healthy asset quality is a key monitorable.

- Exposure to counterparty and end-of-lease-term process risks**

Revenue comes from interest and lease rental income on financing solutions offered on assets given on lease, along with the value derived at the end of the asset life cycle in the form of re-leasing, redeployment or sale of asset. Earnings are supported by comfortable asset quality metrics and low gearing. Nevertheless, counterparty risk persists as the company has also extended leases and financing to unrated entities and startups, albeit with adequate collateral. Furthermore, the company has short track record in SCF segment; the business model being different from that of the leasing business involves counterparty risk. As the overall portfolio scales up, the ability to maintain healthy return on managed assets will be a key rating sensitivity factor. The ability to generate value at the end of the asset life cycle on a steady-state basis over the medium term will be a key monitorable.

Liquidity: Adequate

As on March 31, 2022, the asset-liability maturity (ALM) profile was comfortable with positive cumulative mismatches in the up to one-year bucket. Cash and equivalent balance were Rs 66.2 crore (including unutilized working capital limits) as on July 31, 2022. Liquidity will comfortably cover total debt and loan repayments including operating expenses for August and September 2022, with liquidity cover of 1.2 times. Additionally, liquidity is supported by the availability of credit lines from the parent when required.

Outlook: Stable

CRISIL Ratings believes CFPL will continue benefit by its experienced promoters and management team and maintain healthy capitalisation metrics and comfortable asset quality over the medium term.

Rating Sensitivity factors**Upward factors:**

- Capitalisation metrics continuing to remain comfortable, with gearing maintained below 3 times on steady state basis
- Significant scale up in the portfolio and improved market share while sustaining asset quality metrics and earnings profile

Downward factors:

- Increase in gearing levels or inability to raise capital to fund growth
- Any adverse movement in asset quality with 90+dpd (including write offs) increasing beyond 2% and earnings profile of the company getting impacted

About the Company

CFPL is an NBFC operating on pan-India basis. It provides equipment leasing and financing solutions designed to allow customer access to the assets they need. The company is headquartered in Mumbai, and has presence in Bengaluru, Pune, Delhi, Hyderabad and Chennai. The range of equipment leased includes IT, plant and machinery, and furniture and fit outs. CFPL is a 100% subsidiary of RAPL, which was founded in 2014 by a team of leasing professionals with a cumulative operating origination experience of USD 1.5 billion, a portfolio of USD 252 million and more than 200 clients

Key Financial Indicators

As on / for the period ended	Unit	Q1 2023	2022	2021
Total assets	Rs crore	1,376.9	1,308.1	705.1
Advances	Rs crore	1,210.9	1,085.5	592.3
Total income	Rs crore	52.0	164.5	111.3
PAT	Rs crore	16.4	54.1	36.6
Gross NPA	%	0.9	0.1	Nil
Gearing	Times	1.9	1.9	1.1
RoA	%	4.9*	5.4	6.6

*annualized

Any other information: Not applicable**Note on complexity levels of the rated instrument:**

CRISIL Ratings' complexity levels are assigned to various types of financial instruments. The CRISIL Ratings' complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL Ratings' complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size	Complexity Level	Rating outstanding with
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					(Rs.Cr)		outlook
NA	Non-convertible debenture*	NA	NA	NA	35	Simple	CRISIL A/Stable
NA	Long Term Principal Protected Market Linked Debentures*	NA	NA	NA	75	Highly complex	CRISIL PPMLD A r /Stable
NA	Non-convertible debenture*	NA	NA	NA	40	Simple	CRISIL A/Stable
INE0DBJ07101	Long Term Principal Protected Market Linked Debentures	26-May-22	G-SEC LINKED	26-Nov-23	80	Highly complex	CRISIL PPMLD A r /Stable
INE0DBJ07077	Long Term Principal Protected Market Linked Debentures	29-Sep-21	NA	29-Mar-23	15	Highly complex	CRISIL PPMLD A r /Stable
INE0DBJ07085	Long Term Principal Protected Market Linked Debentures	29-Sep-21	NA	29-Dec-23	15	Highly complex	CRISIL PPMLD A r /Stable
INE0DBJ07093	Non-convertible debenture	11-Mar-22	9.71	11-Jun-23	20	Simple	CRISIL A/Stable
INE0DBJ07044	Non-convertible debenture	20-Aug-20	NA	20-Aug-23	20	Simple	CRISIL A/Stable
INE0DBJ07051	Non-convertible debenture	08-Sep-20	NA	17-Jun-23	15	Simple	CRISIL A/Stable
INE0DBJ07028	Non-convertible debenture	30-Jul-20	NA	30-Jul-23	10	Simple	CRISIL A/Stable
INE0DBJ07036	Non-convertible debenture	31-Jul-20	NA	31-Jul-23	25	Simple	CRISIL A/Stable
INE0DBJ07069	Non-convertible debenture	01-Oct-20	NA	24-Apr-23	15	Simple	CRISIL A/Stable
NA	Term Loan	09-Mar-21	NA	09-Mar-25	28.44	NA	CRISIL A/Stable
NA	Term Loan	31-Mar-21	NA	19-Jan-24	7.49	NA	CRISIL A/Stable
NA	Term Loan	27-Jul-21	NA	19-Jul-24	3.63	NA	CRISIL A/Stable
NA	Term Loan	22-Dec-21	NA	01-Dec-26	75	NA	CRISIL A/Stable
NA	Term Loan	13-Jan-22	NA	31-Dec-24	23	NA	CRISIL A/Stable
NA	Term Loan	09-Feb-22	NA	31-Dec-24	7	NA	CRISIL A/Stable
NA	Term Loan	03-Mar-22	NA	03-Mar-26	75	NA	CRISIL A/Stable
NA	Term Loan	02-Mar-22	NA	02-Mar-25	25	NA	CRISIL A/Stable
NA	Working Capital Demand Loan	NA	NA	NA	39	NA	CRISIL A/Stable
NA	Cash Credit / Overdraft facility	NA	NA	NA	5	NA	CRISIL A/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	111.44	NA	CRISIL A/Stable

*Yet to be issued

Annexure - Rating History for last 3 Years

	Current			2022 (History)		2021		2020		2019		Start of 2019
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	400.0	CRISIL A/Stable	28-07-22	CRISIL A/Stable	20-09-21	CRISIL A-/Positive	10-06-20	CRISIL A-/Stable	20-09-19	CRISIL A-/Stable	--
			--	21-05-22	CRISIL A/Stable	30-07-21	CRISIL A-/Positive		--		--	--
			--	09-03-22	CRISIL A/Stable	06-04-21	CRISIL A-/Stable		--		--	--
Non Convertible Debentures	LT	180.0	CRISIL A/Stable	28-07-22	CRISIL A/Stable	20-09-21	CRISIL A-/Positive	10-06-20	CRISIL A-/Stable		--	--
			--	21-05-22	CRISIL	30-07-21	CRISIL		--		--	--

					A/Stable		A-/Positive					
			--	09-03-22	CRISIL A/Stable	06-04-21	CRISIL A-/Stable		--		--	--
Long Term Principal Protected Market Linked Debentures	LT	185.0	CRISIL PPMLD A r /Stable	28-07-22	CRISIL PPMLD A r /Stable	20-09-21	CRISIL PPMLD A r /Positive		--		--	--
			--	21-05-22	CRISIL PPMLD A r /Stable		--		--		--	--
			--	09-03-22	CRISIL PPMLD A r /Stable		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit / Overdraft facility	5	IDFC FIRST Bank Limited	CRISIL A/Stable
Proposed Long Term Bank Loan Facility	100	Not Applicable	CRISIL A/Stable
Proposed Long Term Bank Loan Facility	11.44	Not Applicable	CRISIL A/Stable
Term Loan	67.5	State Bank of India	CRISIL A/Stable
Term Loan	96.04	IDFC FIRST Bank Limited	CRISIL A/Stable
Term Loan	22.92	CSB Bank Limited	CRISIL A/Stable
Term Loan	15.1	Kotak Mahindra Bank Limited	CRISIL A/Stable
Term Loan	25	The Karur Vysya Bank Limited	CRISIL A/Stable
Term Loan	18	Utkarsh Small Finance Bank Limited	CRISIL A/Stable
Working Capital Demand Loan	15	YES Bank Limited	CRISIL A/Stable
Working Capital Demand Loan	20	IndusInd Bank Limited	CRISIL A/Stable
Working Capital Demand Loan	4	Kotak Mahindra Bank Limited	CRISIL A/Stable

This Annexure has been updated on 26-Aug-22 in line with the lender-wise facility details as on 09-Mar-22 received from the rated entity.

Criteria Details

Links to related criteria
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Finance Companies

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