

March 14, 2025

Capsave Finance Private Limited: [ICRA]AA+(Stable) assigned for fresh NCDs, and Ratings reaffirmed for remaining instruments

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debentures	250.00	250.00	[ICRA]AA+ (Stable); reaffirmed
	0.00	200.00	[ICRA]AA+ (Stable); assigned
Commercial paper	100.00	100.00	[ICRA]A1+; reaffirmed
Total	350.00	550.00	

*Instrument details are provided in Annexure I

Rationale

The ratings continue to derive comfort from the strategic importance of Capsave Finance Private Limited (CFPL) to Mizuho Leasing Company Limited (MHLS), an affiliate of Mizuho Financial Group, Inc. (MFG; rated A1 (Stable) by Moody's Investors Service). ICRA notes that CFPL has benefited from its association with the Mizuho Group, following MHLS's acquisition of a majority stake in Mizuho RA Leasing Private Limited {MRAL; name changed from Rent Alpha Private Limited in March 2025}, the holding company of CFPL, in June 2023. MHLS also infused additional equity of about Rs. 100 crore in MRAL in October 2023, which was down-streamed to CFPL. The company is currently comfortably capitalised, with a net worth of Rs. 952 crore and a managed gearing of 1.9 times as of December 2024.

Going forward, ICRA expects MHLS to provide equity capital and enable CFPL to raise debt funds at competitive rates in a timely manner to support its growth plans. The company is also benefiting from its Mizuho association as its target borrower segment has expanded. MHLS is focused on expansion in emerging markets, including India; CFPL and MRAL are expected to be key entities for Mizuho's business interests in India. ICRA notes that following the acquisition, Mizuho Bank has started partnering with MRAL and CFPL on the asset as well as liability side.

The ratings take into consideration CFPL's good asset quality performance, although the headline delinquencies weakened slightly with the 90+ days past due (dpd) increasing to 0.8% as of December 2024 and March 2024 from 0.1% as of March 2023. Consequently, the company has tightened its underwriting in the Working Capital Finance (WCF) segment and expects to restrict incremental slippages, going forward. Nevertheless, the asset quality of this segment would remain monitorable.

CFPL's profitability remains healthy, though declining {profit after tax (PAT)/average managed assets (AMA) of 3.1% in 9M FY2025 and FY2024 vis-à-vis 4.4% in FY2023} due to reducing interest margins with the shift to a better customer profile. Going forward, the company's ability to stabilise the interest margins at the current levels would be crucial for maintaining healthy profitability on a sustained basis.

Key rating drivers and their description

Credit strengths

Strategic importance to MHLS – The ratings factor in the managerial, financial and operational support expected from MHLS, an affiliate of MFG (23.1% stake in MHLS). MHLS is a major leasing company in Japan with a presence in multiple geographies across the world. It provides finance for capital investments in industrial machine tools, information technology (IT) equipment,

medical equipment and other business assets. It recorded a consolidated net income of ₹35.8 billion on total consolidated revenues of ₹460.9 billion in 9M FY2025 vis-à-vis ₹35.2 billion and ₹656.1 billion, respectively, in FY2024. MHLS has been increasing its focus on expanding in emerging markets, including India, as a part of its global growth strategy. It entered India with the acquisition of a 51% stake in MRAL in June 2023. Since then, it has increased its stake further (acquired 32.9% in August 2024) and currently holds 87.6%.

MHLS has extended significant managerial support by appointing six of its representatives to CFPL's board. Three of them have relocated to the company office in Mumbai and are involved in its day-to-day operations. MHLS has also ensured that the process efficiency and governance standards are in line with global best practices. CFPL is expected to benefit from its parentage by leveraging MFG's relationships with various financiers in order to provide timely funding opportunities at competitive rates as well as generate new businesses with multinational company (MNC) clients and original equipment manufacturer (OEM) relationships.

CFPL's board, including the founders (Mr. Jinesh Jain and Mr. Praveen Chauhan), has vast experience in the leasing business. The founders have experience in originating and structuring large leasing deals, securitisation and asset life cycle management. The senior management team also has extensive experience in handling various functions in similar businesses.

Comfortable capitalisation profile – CFPL has a comfortable capitalisation profile characterised by a managed gearing of 1.9 times as of December 2024 (2.4 times as of March 2024), supported by regular capital infusions and healthy internal capital generation. MRAL infused capital of Rs. 125 crore in 9M FY2025 and Rs. 175 crore in FY2024 (while Rs. 75 crore was infused by MRAL from its surplus funds, the balance Rs. 100 crore was down-streamed to CFPL on the back of a similar amount infused by MHLS into MRAL). Going forward, ICRA expects MHLS to provide equity capital as and when required and enable CFPL to raise debt funds at competitive rates in a timely manner to support its growth plans. In addition, MRAL would continue to infuse a share of its accruals into CFPL. The company envisages to continue its portfolio growth at a robust pace in the medium term while keeping its leverage below 4 times.

Good asset quality indicators despite recent increase in delinquencies – CFPL has historically maintained the asset quality with a 90+ dpd of 0.1% and nil write-offs. However, some slippages were seen in Q4 FY2024 which resulted in its 90+ dpd increasing to 0.8% as of March 2024 (0.8% as of December 2024). ICRA notes the relatively moderate customer profile in the WCF segment, though this is expected to improve with the company tightening its underwriting practices. Nevertheless, the asset quality of this segment would remain monitorable.

ICRA notes that CFPL's exposures in the leasing segment are largely towards well-rated entities, MNCs or backed by liquid collateral. The management has significant experience in leasing, supporting the company's ability to limit the risks arising from the end-of-lease residual value of the asset. Going forward, maintaining or augmenting the borrower risk profiles in the leasing business and ensuring adequate risk coverage for leasing and WCF, as the business scales up, would remain crucial.

Healthy profitability indicators, notwithstanding the decline in margins – CFPL has continued to maintain healthy profitability, with its net profitability (PAT/AMA) at 3.1% in 9M FY2025 (3.1% in FY2024), though it has witnessed some moderation from previous years (4.4% in FY2023). This was on account of the reduction in the net interest margin, largely impacted by a moderation in the yields as the company focused on onboarding borrowers with better profiles. Operating expenses and credit costs, however, have remained largely stable in recent years. ICRA expects CFPL to benefit from its MHLS parentage by improving its cost of funding over the medium term. Nevertheless, its ability to sustain its interest margins without further reduction would be critical for maintaining healthy profitability indicators over the medium term.

Credit challenges

Moderate scale; wholesale nature of operations – Over the last three years, CFPL's assets under management (AUM) rose at a compound annual growth rate (CAGR) of 66%, reaching Rs. 2,699.7 crore as of March 2024 (Rs. 2,916.0 crore as of December 2024). Nevertheless, its scale of operations remains moderate. On a segment-wise basis, leasing contributed 58% to the total AUM while WCF contributed 41% as of December 2024. The company expects both these segments to contribute equally to

the AUM over the medium term. ICRA also takes note of the risks associated with the realisation of the residual value of the leased assets after the expiry of the lease period.

CFPL has a concentrated borrower profile with the top 20 clients contributing 26% as of December 2024 (80% of the net worth) and 26% as of March 2024 (94% of the net worth), although this has improved somewhat from 32% as of June 2023 (119% of the net worth). ICRA notes that such exposures are largely towards well-rated entities (rated A and above), MNCs or backed by liquid collateral. Going forward, the ability to maintain healthy asset quality would be a key monitorable as the business expands.

Liquidity position: Strong

CFPL maintains a strong liquidity profile with no cumulative mismatches in its asset-liability maturity (ALM) profile as on December 31, 2024, given its sizeable short-term loan book. It had cash and cash equivalents of Rs. 174.6 crore and undrawn sanctions of Rs. 683.3 crore as of February 2025. Further, MRAL has extended an intercorporate line of Rs. 300 crore to CFPL (of which Rs. 50 crore was utilised as of December 2024), which provides additional liquidity support as the lease rental payments are generally received on a quarterly basis. The company has repayments of Rs. 394.9 crore due during March – May 2025 (including interest of Rs. 36.4 crore). CFPL is expected to benefit from its parentage in diversifying its borrowing profile and maintaining its liquidity position.

Rating sensitivities

Positive factors – Improved brand association with MHLS or MFG or a name change could lead to a rating upgrade.

Negative factors – The ratings would remain sensitive to any weakening in MFG or MHLS's credit profile or lower-than expected support. A substantial deterioration in CFPL's asset quality, impacting the earnings, or a steady weakening in its liquidity and capitalisation profile would also negatively impact the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Non-banking Finance Companies (NBFCs)
Parent/Group support	The ratings factor in the high likelihood of operational, financial and management support from MHLS, an affiliate of MFG, given the strategic importance of CFPL
Consolidation/Standalone	The ratings are based on the standalone financial statements of CFPL

About the company

Capsave Finance Private Limited (CFPL) is a non-deposit taking systemically important middle layer non-banking financial company (NBFC). It became a 100% subsidiary of Rent Alpha Private Limited (name changed to Mizuho RA Leasing Private Limited (MRAL) in March 2025) in 2016 and a step-down subsidiary of Mizuho Leasing Company Limited (MHLS) in June 2023, following MHLS's acquisition of a majority (51%) stake in MRAL. MHLS's stake increased to 87.6% in August 2024, following its acquisition of Bravia's stake in MRAL.

CFPL primarily provides working capital financing and leasing facilities to segments such as information technology equipment, plant & machinery, furniture & fitouts, medical equipment, etc. It operates from its registered office in Mumbai and has a presence in Delhi, Pune, Chennai, Bengaluru and Hyderabad.

CFPL's gross loan book stood at Rs. 2,891.0 crore as of December 2024 (Rs. 2,666.9 crore as of March 2024). It reported a net profit of Rs. 78.3 crore on a total asset base of Rs. 3,009.1 crore in FY2024 compared with Rs. 75.6 crore and Rs. 2,074.2 crore,

respectively, in FY2023. It reported a provisional net profit of Rs. 73.2 crore on a total asset base of Rs. 3,264.6 crore in 9M FY2025.

Key financial indicators (audited)

CFPL	FY2023	FY2024	9M FY2025 (P)
Total income	247.6	328.1	292.7
PAT	75.6	78.3	73.2
Total managed assets	2,091.8	3,035.4	3,264.6
Return on managed assets	4.4%	3.1%	3.1%
Managed/Reported gearing (times)	2.5	2.4	1.9
Gross stage 3	0.6%	1.0%	1.3%
CRAR	26.3%	26.9%	31.2%

Source: Company, ICRA Research; Amount in Rs. crore; P – Provisional

[^]Gross non-performing assets (GNPAs) and net NPAs (NNPAs) as on December 31, 2024 were 0.8% and 0.1%, respectively (0.8% and 0.3%, respectively, as on March 31, 2024 & 0.2% and 0.1%, respectively, as on March 31, 2023). Gross stage 3 assets includes accounts with an external rating of C or below, irrespective of the delinquency level

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2025)						Chronology of rating history for the past 3 years					
Instrument	FY2025					FY2024		FY2023		FY2022	
	Type	Amount rated (Rs. crore)	Mar 14, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Non-convertible debentures	Long term	250.00	[ICRA]AA+ (Stable)	Sep-09-24	[ICRA]AA+ (Stable)	Oct-13-23	[ICRA]AA+ (Stable)	-	-	-	-
				Sep-24-24	[ICRA]AA+ (Stable)	-	-	-	-	-	-
Commercial paper	Short term	100.00	[ICRA]A1+	Sep-09-24	[ICRA]A1+	Oct-13-23	[ICRA]A1+	-	-	-	-
				Sep-24-24	[ICRA]A1+	Sep-29-23	[ICRA]A1+	-	-	-	-
Non-convertible debentures	Long term	200.00	[ICRA]AA+ (Stable)	-	-	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial paper	Very Simple
Non-convertible debentures	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or

complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
Yet to be placed	Commercial paper	-	-	-	100.00	[ICRA]A1+
INE0DBJ07184	Non-convertible Debentures	Dec-23-24	8.35%	Dec-21-29	50.00	[ICRA]AA+ (Stable)
INE0DBJ07192	Non-convertible Debentures	Dec-30-24	8.35%	Dec-29-27	150.00	[ICRA]AA+ (Stable)
Yet to be placed	Non-convertible debentures	-	-	-	250.00	[ICRA]AA+ (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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