

Capsave Finance Private Limited

August 21, 2018

Summary of rated instruments

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long Term Bank Facilities	100.00	[ICRA]BBB+ (stable); Assigned
Total	100.00	

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned the long-term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) for Rs. 100-crore long term bank facilities of Capsave Finance Private Limited (CFPL). The outlook on the long-term rating is 'Stable'¹.

Rationale

The rating factors in the Company's experienced management team having long experience in the line of business along with adequate credit appraisal and risk management system for the current scale of operations, adequate liquidity profile of the company supported by availability of credit lines from the parent (Rent Alpha Private Limited), the comfortable capitalisation profile with a gearing of 0.24x as on March 31, 2018 supported by the capital infusion of Rs. 56.51 crore by the parent company in FY2018 and the comfortable asset quality with NIL Gross NPAs albeit on a relatively low seasoned book of the company.

ICRA has also taken note of the Company's relatively small scale of operations with an asset under management of Rs. 169.17 crore as on June 30, 2018 (Rs. 129.52 crore as on March 31, 2018) and modest profitability indicators with the reported return on net worth of 8.28%² in FY2018. Going forward, the Company's ability to profitably grow the business volumes while maintaining the asset quality will be an important rating consideration.

Outlook: Stable

ICRA believes CFPL will continue to benefit from its parentage in form of Rent Alpha Private Limited for sourcing of clients and shared infrastructure. The outlook may be revised to 'Negative' if there is any significant deterioration in the Company's asset quality parameters, thereby adversely affecting its financial risk profile. The outlook may be revised to 'Positive' if the Company shows sustained improvement in the scale of business and its earning profile.

Key rating drivers

Credit strengths

Experienced board and senior management team - The Company's management team has considerable experience in the relevant line of business. The Company has also set up adequate credit appraisal and risk management system for

¹ For complete rating scale and definitions, please refer to ICRA website (www.icra.in) or any of the ICRA rating publications

² Calculated on year ending net worth of the company.

the current scale of operations. ICRA further expects the Company to continue to improve its processes and systems in line with the growth in business volumes.

Comfortable capitalisation profile supported by recent equity infusion- The capitalisation profile of the Company stands comfortable with low gearing levels of 0.24x as on March 31, 2018 supported by equity infusion of Rs. 56.51 crores in FY2018. The gearing level as at June 30, 2018 stands at 0.47x, with the term loan of Rs. 50 crores availed in Q1 of FY1819. The gearing levels are further expected to increase going forward in the medium term as the Company scales up its operations and incremental disbursements being made from the fresh borrowings, nevertheless ICRA expects the Company to maintain prudent capitalisation profile with the gearing levels to remain within 2.5x in the medium term. ICRA also expects the support from the parent to be forthcoming as and when required.

Comfortable Asset Quality Indicators albeit a relatively low vintage- The asset quality indicators of the Company stands comfortable with nil Gross NPA as on June 30, 2018 albeit on a relatively low seasoned loan book. Going forward, the ability of the Company to scale up business operations while maintaining a prudent asset quality profile would be a key rating monitorable.

Credit challenges

Relatively low vintage and small scale of operations- The Company's vintage is relatively short as it began its operations in the latter half of FY2017. The current scale of operations is small with asset under management of Rs. 169.17 crore as on June 30, 2018 (Rs. 129.52 crores as on March 31, 2018). However, ICRA notes that by virtue of having synergies and strong operational linkages with the parent, the Company has good opportunity to grow its business volumes. Overall, the Company's ability to leverage on the parentage, to profitably grow business volumes, while maintaining the asset quality would be a key rating sensitivity.

Modest profitability indicators- The profitability indicators of the company remained modest with the company reporting a return on net-worth of 8.28% ³as on March 31, 2018 owing to healthy spreads (5.72% in FY2018), low operating expenses (2.37% of the total assets in FY2018) by virtue of having operational linkages in form of sourcing of portfolio and sharing of infrastructure with the parent and credit cost (0.11% of the total assets in FY2018) towards provision for standard assets. Going forward, with incremental business being financed from fresh borrowings the profitability indicators are likely to improve.

Ability of the company to diversify the funding mix yet to be established -The entire borrowing profile of the Company is concentrated towards a single NBFC as on June 30, 2018, however ICRA has taken note of that fact that the Company is in process of availing sanctioned limits from other financial institutions which is likely to support the diversification of the overall borrowing profile over the medium term. As for liquidity, given the relatively small scale of operations the liquidity position of the Company stands adequate supported by the availability of credit lines from the parent Rent Alpha Private Limited, if required.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[ICRA's Credit Rating Methodology for Non-Banking Finance Company.](#)

³ These numbers have been taken on the year ending numbers of the company as on March 31, 2018 due to the relatively new scale of operations and fast pace of portfolio growth.

About the Company:

Capsave Finance Private Limited, a registered NBFC became a wholly owned subsidiary of Rent Alpha Private Limited in 2016. The Company is involved in financing of Operating lease and Financial leases along with some proportion of Receivable discounting in its portfolio as on June 30, 2018. The main regions of Company's operations are Delhi, Mumbai, Bangalore, Pune and Chennai Etc.

The Company reported a PAT of Rs. 8.29 crores as on March 31, 2018 on a total asset base of Rs. 152.22 crore. The net worth of the Company as on March 31, 2018 stood at R. 100.12 crores supported by an equity infusion of Rs. 56.51 crores in FY2018.

Key financial indicators (audited)

Amounts in Rs. Crores	FY 2017	FY 2018 ⁴
PAT	(0.26)	8.29
Net Worth	35.32	100.12
Portfolio	36.80	129.52
Total Assets	40.08	152.22
Return on Average Assets	-1.27%	8.72%
Return on Average Equity	-1.43%	12.24%
Gearing (times)	0.00	0.24
CRAR	n/a	124.80%
Gross NPA%	0.00%	0.00%
Net NPAs %	0.00%	0.00%
Net NPA/Net worth (%)	0.00%	0.00%

Source: CFPL, ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

⁴ Taken on reported average numbers for FY2017 and FY2018.

Rating history for last three years:

Instrument	Current Rating (FY2019)			Chronology of Rating History for the past 3 years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. Crore)	Date & Rating Aug-18	FY 2018	FY 2017	FY 2016
1. Long term Bank lines	Long Term	100.00	100.00	[ICRA]BBB+ (Stable)	N/A	N/A	N/A

Source: ICRA

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
N/A	Long Term bank lines (Proposed)	N/A	N/A	N/A	100.00	[ICRA]BBB+ (Stable)
	Total				100.00	

Source: Capsave Finance Private Limited

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