MS Fincap Private Limited (Revised)

October 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Non-convertible debentures	30.00	CARE BBB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating reaffirmation on the long-term instrument of MS Fincap Private Limited (MSFCPL) factors in healthy growth momentum with a 43% y-o-y growth in its assets under management (AUM) to ₹400.48 crore as on June 30, 2025, while maintaining its profitability. The rating continues to favourably factor in MSFCPL's comfortable capital structure considering regular capital infusions from the promoter and its stable financial risk profile.

The rating, however, remains constrained on account of modest business vintage coupled with limited portfolio seasoning, high geographical concentration and a moderately diversified resource mix.

Rating sensitivities: Factors likely to lead to rating actions

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

- Granular growth in loan book while maintaining good asset quality and profitability metrics.
- Ability to raise equity capital at regular intervals supporting capitalisation and diversification in resources mix.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Deteriorating asset quality metrics with net non-performing assets (NNPA) remaining over 3% on a sustained basis.
- Overall gearing remaining over 5x on a sustained basis.
- Dilution in capital support from the existing promoters.

Analytical approach:

Standalone

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings Limited's (CareEdge Ratings) expectation of continued business growth aided by capital support from the promoters while maintaining stable asset quality.

Detailed description of key rating drivers:

Key strengths

Comfortable capital structure; benefits arising from promoter growth capital

MSFCPL is promoted by the Modi family in Jaipur and the company's day-to-day affairs are handled by Mukund Modi (Managing Director) and brother, Shridhar Modi (Executive Director), who are third-generation entrepreneurs collectively holding 60.16% stake (as on June 30, 2025) in the company, while the rest is held by immediate family, relatives, and friends. In FY2025, the company brought in senior management with Vineet Patni appointed as CEO who comes from over two decades of experience in the financial sector. MSFCPL has also added Chief Business Officer and Chief Operating Officer to further strengthen its managerial oversight.

The company revised its capital structure in FY25, reducing unsecured promoter loans from ₹111.08 crore as on March 31, 2024, to ₹38.34 crore (including sub-debt) as on March 31, 2025. This was considering a slow disbursement momentum in Q2FY25 due to a cautious lending environment and increased institutional external borrowings at the same time, resulting in high cash levels (~₹65 crore) prompting withdrawal of promoter loans to mitigate negative carry. To support capitalisation, the promoter subsequently infused ₹24.83 crore as equity in Q4FY25.

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

CareEdge Ratings previously treated promoter unsecured debt as quasi equity in view of its subordination to outside liabilities. However, post conversion of this debt into equity in FY25 and H1FY26, which shall now be monitored on overall gearing basis. Accordingly, overall gearing stood at 2.98x as on March 31, 2025 (PY: 3.18x). In Q1FY26, gearing increased to 3.45x due to fresh borrowings availed by the company in the quarter. Overall capital adequacy ratio (CAR) as on March 31, 2025, stood at 32.71% (PY: 23.86%) and at 27.59% as on June 30, 2025. In September 2025, the company raised ₹29 crore equity capital from its promoters increasing its tangible net worth (TNW) to ~₹128 crore (prov.), which is expected to aid current capitalisation levels and support its growth plans. CareEdge Ratings expects leverage to remain below 4x in the medium term. Given the growing scale, the company's ability to raise equity capital at regular intervals, while generating adequate accruals from the business shall be a key rating monitorable.

Stable financial risk profile

The company reported a 40% growth in AUM in FY25 to ₹354.70 crore (PY: ₹252.60 crore). In Q1FY26, the AUM further grew to ₹400.48 crore driven by increase in retail business through growing branch network. MSFCPL's AUM has registered a robust compound annual growth rate (CAGR) of 35% in the last three fiscal years. Given the increased focus in its retail book with higher yields (up to ~24%), the net interest margin (NIM) remained healthy at 9.58% (PY: 9.86%), despite increase in external borrowings during the year. The contribution to income through fee income remained high as reflected by fee and other income to its average total assets (ATA) of ~3.23% (PY: 3.37%). With respect to its costs, the company has rapidly expanded in FY25 increasing its branch count to 70 (PY: 38 branches) and employee headcount to 498 from 274 in previous year. The company also added senior management such as CEO, CBO and COO in the year, resulting in its opex to ATA remaining elevated at 7.13% in FY25 (PY: 7.21%). With further expansion envisaged for the current and next fiscal year, the opex is expected to remain elevated in the medium term until economies of scale are achieved. Credit costs remained range bound at 0.35% in FY25 (PY: 0.39%) with a larger share of fresh disbursements in its AUM and limited seasoning. Return on managed assets (ROMA) stood at 2.29% in FY25 (PY: 2.83%). Going forward, movement in credit costs and its resulting impact on profitability shall remain a key rating monitorable.

Key weaknesses

Modest business vintage with limited seasoning in retail book

The company began operations in FY18, initially focusing on high-ticket small and medium enterprises (SME) borrowers (above ₹1 crore ticket size) financed through its headquarters. Over time, it expanded its product portfolio to include construction finance, school financing, and education loans. Since FY21, the company has shifted its focus towards secured MSME lending—a high-yield segment with interest rates reaching up to 24% (excluding processing fees). Target borrower includes small traders, farmers, and micro-business owners, with loan ticket sizes averaging up to ₹10 lakh and an average loan-to-value (LTV) ratio of ~50%.

As on March 31, 2025, the share of MSME secured loans grew to ~76% of the AUM (PY: 60%), while SME high-ticket loans reduced to ~17% (PY: 27%), construction finance stood at ~4% (PY: 3%), School loans at ~2% (PY: 5%), Education/student loans at 1% (PY: 4%) and unsecured staff loans at ~0.1% (PY: 0.1%). The company intends to curb disbursements in school financing and lower its share of high-ticket business gradually, which is largely done through its head office. With recent growth in branch-led business and retail book, the share of high-ticket wholesale business (including school financing) reduced to 23% as on March 31, 2025, from 35% as on March 31, 2024. As on June 30, 2025, it further reduced to ~19%. As a result, the borrower concentration reduced with share of top 20 borrowers declining from 23% of the loan book and 99% of TNW as on June 30, 2024, to 13% of the loan book and 51% of TNW as of June 30, 2025.

Disbursements in the retail book have picked up momentum only in the last three fiscal years, indicating limited portfolio seasoning. The gross non-performing assets (GNPA) saw an uptick from 0.58% (150+ days past due [dpd]) as on March 31, 2025, to 1.29% (120+dpd) as on March 31, 2025, and further to 1.53% as on June 30, 2025. On-time bucket in the AUM declined to 88% as on March 31, 2025 (PY: 97%) due to industry-wide stress observed in the low ticket secured loans segment, although recovered to 92% as on June 30, 2025. With FY25 and Q1FY26 disbursements accounting for 68% of the MSME book (AUM), maintaining portfolio quality in the near-to-medium term will be a key monitorable going forward.

Geographically concentrated portfolio

MSFCPL started its lending operations through its head office in Jaipur and expanded its branch presence in Rajasthan. Over time, the company expanded to Gujarat and Madhya Pradesh growing its retail reach. The company's wholesale book consisting of SME loans, construction finance, and school loans is entirely based in Rajasthan collectively accounting for 23% of its AUM as on March 31, 2025.

While CareEdge Ratings takes note of a slight reduction in overall concentration in the state, AUM in Rajasthan alone contributed to 76% as on March 31, 2025 (PY: 89%), followed by Madhya Pradesh at 20% (PY: 8%), and Gujarat at 4% (PY: 2%).

Moderate, albeit improving, resource profile

As on March 31, 2025, the company's share of borrowings from banks stood at 39% (PY: 32%), followed by NBFCs at 28% (PY: 12%), alternate investment funds (AIFs) at 19% (PY: Nil) and rest in the form of promoter loans including subordinate debt. Large part of the borrowings is in the form of term loans accounting for 62% (PY: 43%), followed by non-convertible debentures (NCDs) at 24% (PY: Nil) and rest as sub-debt and promoter loans. The company undertook a securitisation assignment in the form of pass-through certificates (PTC) in FY25 in efforts to tap into new funding avenues. In Q1FY26, the company raised sanctions amounting ~₹46.50 crore in the form of NCDs and term loans. Average cost of borrowings from external sources stood at ~12.3% as on June 30, 2025, while new sanctions secured in Q1FY26 were at an average of ~12.1%. Going forward, company's ability to further diversify its resource mix and raise borrowings at competitive rates shall remain key monitorable.

Liquidity: Adequate

Per asset liability statement (ALM) dated June 30, 2025, the liquidity stood adequate with positive cumulative mismatches in all buckets bucket primarily considering unsecured loans from promoters/relatives aggregating to ₹36.35 crore which are classified in over five-year bucket and sub-debt from promoters amounting to ₹30 crore classified in 3-5-year bucket.

For the next one year, debt obligations including interest amount to ₹115.18 crore with fixed operating expenses at ~₹25.98 crore, against which the inflow from advances including interest, unencumbered cash and bank balances collectively stood at ₹193.12 crore and unutilised bank lines of ₹3.34 crore. Average current month collection efficiency for 12 months ending June 2025 stood at 95%.

The company is in breach of some financial covenants for one of the lenders as on June 30, 2025, which provides an option to lender to exercise accelerated repayment, for outstanding borrowings amounting ~₹28 crore. CareEdge Ratings, however, notes that the company has received one time waiver for the same from the lender and has also received additional funding from the same lender post the covenant breach.

Ratings assigned by CareEdge Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades.

Assumptions/Covenants

Not applicable

Environment, social, and governance (ESG) risks

Not applicable

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Non Banking Financial Companies

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Finance	Non-Banking Financial Company (NBFC)

Incorporated in 2016, MSCPL is a Jaipur-based Non-Banking Financial Company, which acquired licence from RBI in 2017. The company is promoted by DD Modi family based in Jaipur, which has an established presence in the financing segment for over three decades. The company's day-to-day affairs is handled by Mukund Modi (Managing Director) and brother Shridhar Modi (Executive Director), who are third generation in the family business.

The company's primary focus is a branch-led secured MSME lending of ticket size averaging up to 10 lakhs with yields up to 24% (excluding processing fees). The company is also into financing high ticket size (above ₹1 crore) SME secured loans and a

construction finance and school finance book collectively comprising 23% of the AUM as on March 31, 2025 (PY: 35%). The company operates through a branch network of 72 branches spread across three states Rajasthan, Madhya Pradesh and Gujarat as on June 30, 2025.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY2026 (UA)
Total operating income	44.02	67.92	21.61
PAT	6.28	7.57	2.34
Interest coverage (times)	NM	NM	NM
Total Assets	265.72	381.78	439.14
Net NPA (%)	0.44	0.93	1.18
ROTA (%)	2.83	2.34	2.49

A: Audited UA: Unaudited; Note: these are latest available financial results
NM: Not meaningful
Q1 ROTA (%) is annualised

Status of non-cooperation with previous CRA:
Infomerics Ratings classified MSFCPL as non-cooperative in its press release dated January 21, 2025, citing the company's failure to submit the requisite information for rating surveillance. Due to continued non-submission of data by the issuer, the rating was downgraded to IVR BB+ (INC) per the press release dated June 19, 2025.

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
Debentures-Non Convertible Debentures	INE0S3L07032	30-Sep-2024	12.75%	16-Mar-2028	20.00	CARE BBB-; Stable
Debentures-Non Convertible Debentures	INE0S3L07040	18-Nov-2024	13.25%	25-Nov-2027	5.00	CARE BBB-; Stable
Debentures-Non Convertible Debentures – Proposed	-	-	-	-	5.00	CARE BBB-; Stable

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	Debentures-Non Convertible Debentures	LT	30.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (10-Oct-24)	-	-

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	Debentures-Non Convertible Debentures	Simple
2	Debentures-Non Convertible Debentures	Complex

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.

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