Criss Financial Limited
CIN - U65993TG1992PLC014687
Regd. Off: Galaxy, Wing B, 16th Floor, Plot No.1,
Sy No 83/1, Hyderabad Knowledge City, TSIIC,
Raidurg Panmaktha, Hyderabad – 500081,
Telangana. Email id: secretarial@crissfin.com

Ref: CFL/BSE/2022-23/31
Date: March 31, 2023

To
The Listing Compliance Department
M/s. BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400001.

Debt Scrip code: 973246

Dear Sir/Madam,

Subject: Intimation of Credit Rating assigned by India Ratings & Research (Ind-Ra), a Fitch Group Company – Rating assigned-IND BBB+/Stable.

Pursuant to Regulation 51(2) read with Part B of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform that India Ratings & Research (Ind-Ra), a Fitch Group Company vide its letter dated March 31, 2023 has assigned ratings for Bank Loan facilities of the Company as detailed below:

S. No.	Instrument Type	Rated Amount (Rs. in million)	Rating/Outlook	Rating Action
1.	Bank Loan	2,000.00	IND BBB+/Stable	Assigned

Please find enclosed rationale published by India Ratings & Research (Ind-Ra) on March 31, 2023 as Annexure.

Kindly take the same on records.

Thanking you.

Yours sincerely,
For Criss Financial Limited
(formerly known as Criss Financial Holdings Limited)

Srikanth Reddy Kolli
Digitally signed by Srikanth Reddy Kolli
Date: 2023.03.31 19:28:42 +05'30'

Srikanth Reddy Kolli
Company Secretary
M.No. A25290

Encl: A/a.

IndiaRatings & Research
A Fitch Group Company

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India Ratings Assigns Criss Financial’s Bank Loan ‘IND BBB+’/Stable

Mar 31, 2023 | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has rated Criss Financial Limited’s (CFL) bank loan as follows:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Bank loan	-	-	-	INR2,000	IND BBB+/Stable	Assigned

Analytical Approach: The rating factors in the financial and the non-financial support including supervision that CFL receives from its parent, Spandana Sphoorty Financial Limited (Spandana; ‘IND A’/Stable; 99.85% stake) and also in the latter’s credit strength. While Spandana mainly provides micro-finance institution loans, CFL provides non-qualifying microfinance loans and loan against property (LAP). However, in the near term, CFL would also provide small ticket secured and home loans, and unsecured micro, small and medium enterprises (MSME) loans.

Key Rating Drivers

Support-driven Rating: Ind-Ra believes Spandana will remain CFL’s single-largest shareholder and retain management control in the foreseeable future. The rating is driven by Ind-Ra’s expectation of timely and front-ended growth capital as well as stress capital and liquidity support in the medium term from the parent. Ind-Ra believes Spandana will remain CFL’s single-largest shareholder and retain management control in the foreseeable future. The agency considers CFL to be important to Spandana’s strategy to focus on the underbanked customer segments in asset classes that will, for the most part, complement the asset strategy at the parent and I continue to monitor CFL’s business and funding strategy. Ind-Ra believes Spandana could also provide loan products to its existing borrowers through CFL, thereby supporting the stickiness of Spandana’s borrowers.

The agency also considers that CFL has strong board representation from Spandana with five out of the six board members of CFL being on the board of Spandana. Currently, both the entities have common a chief executive officer and chief financial officer, however, the parent plans to appoint a separate senior management team in view of the CFL’s business plan. CFL had a history of support from Spandana with access to line of credit worth INR3 billion (FY22: INR2 billion) as unsecured loan from its parent and an equity infusion of INR500 million in FY21 and INR250 million in FY19.

Adequate Capitalisation supported by Regular Equity Infusion from Parent: CFL's leverage (debt/equity; including loans from Spandana) stood modest at 2.3x at 9MFYE23 (FYE22: 1.7x, FYE21: 1.9x) and tier 1 capital ratio at 29.6% (36.5%, 32.8%). CFL's net worth was INR1,622 million as of December 2022, supported by equity infusions from the parent and reasonable internal capital generation. The company aims to enhance its equity capital base by FY25 with infusion from the parent to support its loan portfolio growth plans. CFL expects to maintain leverage below 4.0x in the medium term.

Small Scale with Evolving Product Profile; High Geographic Concentration: CFL's scale of operations is small with a loan book of INR5.5 billion at 9MFYE23 (FYE22: INR3.8 billion, FYE21: INR4 billion) with concentration in two states (Andhra Pradesh: 72.9%, Telangana: 27.1%) across 19 districts. Of the total assets under management (AUM) of at 9MFYE23, non-qualifying microfinance loans and loan against property contributed about 86% and 13% to its total loan portfolio, respectively, and the balance was small ticket personal loans. CFL plans to diversify and grow its AUM to INR15 billion by FY25 through introduction of new loan products of small ticket, secured and home improvement loans and unsecured MSME loans. CFL also plans to diversify geographically by entering into Rajasthan and few other states by opening 15 new branches in FY24. The agency will monitor the execution of the company's plans and the asset quality with the seasoning of newer products.

Liquidity Indicator - Adequate: CFL had INR10.5 million of unencumbered cash balance at end-February 2023 and a line of credit of INR3 billion from Spandana with unutilised limits of INR183 million. This is adequate to meet its debt repayments of INR193 million till May 2023. The company increase its line of credit to INR3 billion in FY23 from INR2 billion and could increase it further depending upon its requirements. Moreover, Ind-Ra takes comfort from a lower leverage than peer group at Spandana, which stood at 1.9x at 9MFYE23, and hence, would remain positioned to infuse future funding requirements in case of any contingency.

Evolving Borrowing Profile, High Dependence on Line of Credit from Parent: CFL has been mainly dependent on funding available from the parent. At 9MFYE23, CFL's total borrowings stood at INR3.8 billion with two lenders accounting for majority of the exposure. Term loans from banks accounted for 0.9% of the total borrowings, term loans from financial institutions for 18.2%, capital market instruments for 5.7% and inter-corporate loans from Spandana for 75.2%). Spandana has provided corporate guarantee to external borrowings of INR2.5 billion. Furthermore, CFL is in discussion with new lenders to diversify its funding sources in the medium term.

Pressure on Profitability, Weak Asset Quality: The asset quality was impacted in FY22 due to the disruptions caused by the second wave of Covid-19 infection, and various board and management-level issues at parent and CFL, which the agency's opinion are completely resolved. CFL's asset quality was weak with gross non-performing assets of 6.5% in 9MFY23 (FY22: 9.2%, FY21: 1.1%, FY20: nil) and net non-performing asset of 4.6% (6.1%, 1%, nil). The restructured loans stood modest at INR4.9 million at 9MFYE23. A pressure on asset quality has also reflected in increasing trend in credit cost of 3.9% (annualised) in 9MFY23 (FY22: 3.9%, FY21: 1.9%, FY20: 0.5%) leading to a pressure on profitability with a return on average assets of 3.3% (annualised) (5.7%, 5.8%, 10.3%). Notably, collection efficiency (measured by current month collection against billing for the month) has been on an improving trend from 89.5% in April 2022 to 92.9% in December 2022. Moreover, the launch of new loan products as well as run-off in the existing loan book coupled with write-offs, could improve headline asset quality indicators in the medium term. That being said, asset quality performance with seasoning of the new loans would be key monitorable.

Rating Sensitivities

Positive: A rating upgrade for the parent's rating could lead to a similar action on CFL.

Negative: Factors that could, individually or collectively, lead to a negative rating action:
- support stance or shareholding of Spandana materially diluted from the agency's expectations,
- inability to access funding adequately for growth and liquidity support,

- leverage exceeding 4.5x on a sustained basis.

Company Profile

CFL (erstwhile Criss Financial Holdings Limited) is a non-banking financial company incorporated in 1992. CFL's loan book consists of non-qualifying microfinance loans, loan against property and other unsecured loans, which constituted about 86%, 13% and 1% of its total loan portfolio, respectively, as of December 2022.

FINANCIAL SUMMARY

Particulars (INR million)	9MFY23 (Provisional)	FY22	FY21
Total assets	5,543	4,176	3,997
Total equity	1,622	1503	1300
Profit after tax	122.0	231.3	169.4
Return on average assets (%)*	3.35	5.66	5.8
Tier-1 capital (%)	29.6	36.5	32.8
Source: CFL, Ind-Ra *Annualised			

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Bank wise Facilities Details

Click here to see the details

Complexity Level of Instruments

Instrument Type	Complexity Indicator
Bank loan	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity indicators.

Contact

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APPLICABLE CRITERIA

Financial Institutions Rating Criteria

Rating FI Subsidiaries and Holding Companies

Non-Bank Finance Companies Criteria

The Rating Process

Evaluating Corporate Governance