Ref: CFL/BSE/2024-25/05

Date: October 07, 2024

To
BSE Limited,
Department of Corporate Services,
P. J. Towers, 25th Floor,
Dalal Street, Mumbai – 400001

Scrip Code: 975975

Dear Sir/Madam,

Subject: Intimation of Credit Rating- Ratings action by India Ratings & Research Pvt Ltd.

Pursuant to Regulations 51(2) and 55 of Securities and Exchange Board of India (Listing Obligations and disclosure Requirements) Regulations, 2015, we hereby inform that India Ratings & Research Pvt Ltd. has taken the following rating action for various instruments of the Company as detailed below:

S. No.	Facilities/Instruments	Amount (₹ Cr)	Rating	Rating Action
1.	Non-Convertible Debentures	100	IND A/Stable	Assigned
2.	Non-Convertible Debentures	150	IND A/Stable	Affirmed
3.	Bank loan	200	IND A/Stable	Affirmed

Please find enclosed rationale as published by India Ratings & Research Pvt Ltd. on October 07, 2024.

Kindly take the above on your record.

Thanking You.
Yours Sincerely,
For Criss Financial Limited

DINESH MOURYA
Digitally signed by DINESH MOURYA
Date: 2024.10.07 20:31:15 +05'30'

Dinesh Mourya
Company Secretary and Compliance Officer

India Ratings & Research
A Fitch Group Company

India Ratings Assigns Criss Financial Limited's NCD Programme 'IND A'/Stable; Affirms Existing Ratings

Oct 07, 2024 | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has taken the following rating actions on Criss Financial Limited's (CFL) debt instruments:

Details of Instruments

Instrument Description	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned along with Watch	Rating Action
Non-convertible debenture*	-	-	-	INR1,000	IND A/Stable	Assigned
Non-convertible debenture*	-	-	-	INR1,500	IND A/Stable	Affirmed
Bank loan	-	-	-	INR2,000	IND A/Stable	Affirmed

*Details in Annexure

Analytical Approach

Ind-Ra continues to factor in the availability of financial and non-financial support to Criss from its parent, Spandana Sphoorty Financial Limited (Spandana; 'IND A+'/Stable; holds 99.9% stake in Criss) to arrive at the ratings in view of the strategic and operational linkages between the entities.

Detailed Rationale of the Rating Action

The rating action factors in Criss's increased strategic importance to Spandana with respect to scaling up of the non-microfinance business (loan against property (LAP) and nano enterprise loans) in the consolidated portfolio. The ratings are also supported by Criss's adequate capitalisation profile, supported by regular equity infusions from Spandana and the improving asset quality and earnings profile. The ratings, however, remain constrained by the small scale of operations, high geographic concentration and the modest credit profile of the underlying borrowers. The ratings are based on Criss's standalone financial statements.

Spandana disburses unsecured micro finance institutions loans, while Criss is focused on disbursement of non-qualifying microfinance loans as well as the scaling up of the non-microfinance business of the franchisee, i.e. LAP and nano-enterprise loan products.

List of Key Rating Drivers

Strengths

- Support driven rating; increased strategic importance to parent
- Modest asset quality & earnings profile
- Adequate capitalisation

Weaknesses

- Small scale with evolving product profile; high geographic concentration

Detailed Description of Key Rating Drivers

Support Driven Rating; Increased Strategic Importance to Parent: Ind-Ra believes Spandana will remain Criss's single-largest shareholder in the foreseeable future. The ratings are driven by Ind-Ra's expectation of timely capital support in the medium term as well as the availability of stress capital and liquidity support from its parent, Spandana. Ind-Ra takes note of Criss's increased strategic importance to Spandana for scale-up of the non-microfinance business segment.

Furthermore, Criss has strong board representation from Spandana, with three of the four board members of Criss also being on the board of Spandana. Criss has a history of support from Spandana, with access to line of credit worth INR4,000 million from its parent and equity infusions of INR1,000 million in FY24 (FY21: INR500 million; FY19: INR250 million). The agency expects the parent to continue to offer capital support to Criss, as and when required, to meet the medium-term growth plans and targeted capital profile.

Modest Asset Quality and Earnings Profile: Criss's 0+dpd increased to 8.5% as of June 2024 from 6.0% in March 2024 (March 2023: 8.0%; March 2022: 30.3%); 90+dpd stood at 2.5% as of March 2024 and June 2024. The company's gross stage 3 assets (%) and net stage 3 assets (%) stood at 2.4% and 0.6% as of June 2024 as compared to 2.9% and 0.6%, respectively, as of March 2024 (March 2023: 3.9% and 1.5%; March 2022: 9.1% and 6.2%). The company had written off INR56.5 million during 1QFY25 and INR84.43 million in FY24 (FY23: INR313 million) which supported its asset quality during the periods. Criss's provision coverage ratio against gross stage 3 assets also improved to 78.1% in FY24 (FY23: 62.0%; FY22: 33.8%) and stood at 75% for 1QFY25 as the company created incremental provisions of INR108.8 million in FY24 and INR43.2 million during 1QFY25.

Criss reported a profit after tax (PAT) of INR44 million during 1QFY25, translating into a return on assets (RoA; annualised) of 2.3% (FY24: INR334.9 million; 5.2%; FY23: INR14.1 million; 0.2%). The earnings profile in 1QFY25 was impacted by the increased operating costs (1QFY25: 9.5%; FY24: 5.0%; FY23: 3.5%) on account of account of the scale up of branches and increased recruitments for scale up of the newer loan products. The credit cost increased to 4.8% (annualised) for 1QFY25 as compared to 2.5% for FY24 as the company incurred incremental credit costs of INR94 million in 1QFY25 as compared to INR164 million for FY24. With the company's foray into new business segments, its ability to sustain the asset quality and earnings profile will be monitorable.

Adequate Capitalisation: Criss's leverage (debt/equity; including loans from Spandana) remained modest at 1.8x in 1QFY25 and FY24 (FY23: 2.5x, FY22: 1.7x) and its capital to risk weighted assets ratio stood at 33.69% and 33.15% (29.29%, 36.67%). Criss's tangible net worth was INR2,802 million as of June 2024 and INR2,770 million as of March 2024, 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 (approvals are in place for incremental infusion of about INR2,000 million of equity capital from Spandana to Criss). Criss expects to maintain leverage below 4.0x in the medium term.

Small Scale with Evolving Product Profile; High Geographic Concentration: Criss's scale of operations is small, with assets under management (AUM) of INR7,965 million as of June 2024 and INR7,742 million as of March 2024 (FYE23: INR5,314.6 million, FYE22: INR3,840.0 million, FYE21: INR4,033.5 million). Furthermore, the AUM is largely concentrated in three states (Andhra Pradesh: 67.2%, Telangana: 23.5%, Rajasthan: 6.8%; others – Karnataka, Madhya Pradesh & Tamil Nadu: 2.5%). As of June 2024, non-qualifying microfinance loans, nano enterprise loans and loans against property contributed about 86.0%, 2.8% and 11.2%, respectively, to the total AUM. Criss plans grow its AUM to INR35,000 million-38,000 million by FY28 through scaling up of new loan products (micro-loan against property and nano-enterprise loans), to be disbursed to small business owners and self-employed individuals with a modest underlying credit profile. The company has started to diversify geographically by entering Rajasthan, Karnataka, Madhya Pradesh and Tamil Nadu. The agency will continue to monitor the execution of the company's plans and the asset quality with the seasoning of newer products.

Liquidity

Adequate: Criss had on-book liquidity of INR37.9million as on 30 June 2024 and a line of credit of INR4,000 million from Spandana (unutilised limit stood at INR3,348.8 million at end-June 2024). This was adequate to meet its scheduled debt obligations of INR1,861 million between July 2024 and December 2024. The average monthly collections between July 2024 and December 2024 was around INR562 million, which further supports the liquidity profile.

Rating Sensitivities

Positive: An upgrade of the parent's ratings could lead to a positive rating action for Criss

Negative: Any material dilution in Spandana's the support stance or shareholding compared to the agency's expectations, inability to access funding adequately for growth and liquidity support, and Criss's leverage exceeding 4.0x, on a sustained basis, could lead to a negative rating action.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on Criss, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

About the Company

Criss is a non-banking financial company (NBFC) that was incorporated in 1992. Criss was acquired by Spandana in FY19 from Padmaja Reddy (erstwhile managing direction and chief executive officer of Spandana).As of June 2024, Spandana held 99.90% equity stake in the company. Criss operates largely in Andhra Pradesh (67.2%), Telangana (23.5%), Rajasthan (6.8%). Spandana disburses unsecured microfinance loans, while Criss's loan book consists of non-qualifying microfinance loans, loans against property and other unsecured loans.

Key Financial Indicators

Particulars (INR million)	1QFY25	FY24	FY23
Total tangible assets*	7,917.0	7,746.2	5,158.8
Total tangible equity*	2,802.3	2,769.8	1,471.8
Net profit	44.2	334.9	14.1
Return on average assets (%)	2.3	5.2	0.3
Equity/assets (%)	35.4	35.8	28.5
Total capital ratio (%)	33.69	33.2	29.3

Source: Criss; Ind-Ra

*Total assets and equity adjusted for deferred tax assets and intangibles

Note: All ratios in the rating rationale are as per Ind-Ra methodology and can vary from those reported by the company.

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Ratings/Outlook	Historical Rating/Outlook		
				24 June 2024	11 September 2023	31 March 2023

Bank loan	Long-erm	INR2,000	IND A/Stable	IND A/Stable	IND BBB+/Stable	IND BBB+/Stable
Non-convertible debentures	Long-term	INR2,500	IND A/Stable	IND A/Stable	IND BBB+/Stable	-

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan	Low
Non-convertible debenture	Low

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

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon (%)	Maturity Date	Amount (million)	Rating/Outlook
Non-convertible debentures	INE02EP07038	26 September 2023	12.97%	26 September 2026	INR500	IND A/Stable
Non-convertible debentures	INE02EP07046	30 August 2024	10.50%	30 August 2026	INR750	IND A/Stable
				Limit unutilised	INR1,250	
				Total	**INR2,500**	

Source: Company; NSDL

Contact

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APPLICABLE CRITERIA AND POLICIES

Rating FI Subsidiaries and Holding Companies

Non-Bank Finance Companies Criteria

Evaluating Corporate Governance

Financial Institutions Rating Criteria

The Rating Process