



Ref: CFL/BSE/2024-25/21

Date: December 28, 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 action by India Ratings and Research Private Limited.

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 and Research Private Limited has taken the following rating action for Debt Instruments of the Company as detailed below:

Facilities/Instruments	Amount (₹ Million)	Rating	Rating Action
Non-Convertible Debentures	2500	Ind A/Negative	Rating affirmed; Outlook revised to Negative from Stable
Bank Loan	2000	Ind A/Negative	Rating affirmed; Outlook revised to Negative from Stable

Please find enclosed rationale as published by India Ratings and Research Private Limited on December 27, 2024.

Kindly take the above on your record.

Thanking You.
Yours Sincerely,
For Criss Financial Limited

Dinesh Mourya
Company Secretary and Compliance Officer
Membership No.: A28355

Criss Financial Limited

CIN - U65993TG1992PLC014687

Galaxy, Wing B, 16th Floor, Plot No.1, Sy No 83/1, Hyderabad Knowledge City,

TSIIC, Raidurg Panmaktha, Hyderabad, Rangareddi TG 500081 IN

Ph: +9140-45474750 | Secretarial@crissfin.com | www.crissfin.com

India Ratings Revises Outlook on Criss Financial's NCDs and Bank Loans to Negative; Affirms 'IND A'

Dec 27, 2024 | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has revised the Outlook on Criss Financial Limited's debt instruments to Negative from Stable while affirming the ratings on them as follows:

Details of Instruments

Instrument Description	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned along with Outlook/Watch	Rating Action
Non-convertible debentures*	-	-	-	INR2,500	IND A/Negative	Rating affirmed; Outlook revised to Negative from Stable
Bank loan	-	-	-	INR2,000	IND A/Negative	Rating affirmed; Outlook revised to Negative from Stable

*details in Annexure

Analytical Approach

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

Detailed Rationale of the Rating Action

The Outlook revision in Negative follows a similar action on the parent company, Spandana. The rating Outlook also factors in the sharp increase in Criss's delinquencies between March 2024 and September 2024 and the subsequent impact on the its credit costs and asset quality.

The ratings are supported by Criss's 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.

The ratings remain constrained by Criss's small scale of operations, high geographic concentration and the modest credit profile of the underlying borrowers.

Spandana disburses unsecured microfinance institutions loans, while Criss is focused on the 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; strategic importance to parent
- Adequate capitalisation

Weaknesses

- Moderation in asset quality and profitability
- 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 strategic importance to Spandana for scale-up of the non-microfinance business segment of the group.

Furthermore, Criss has strong board representation from Spandana, with four of the five board members of Criss also being on the board of Spandana. Criss has a history of receiving support from Spandana, with access to a line of credit worth INR4,000 million 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.

Adequate Capitalisation: Criss's leverage (debt/equity; including loans from Spandana) remained modest at 2.4x in 1HFY25 (FY24: 1.8x; FY23: 2.5x, FY22: 1.7x) and its capital to risk weighted assets ratio stood at 34.86% (33.15%; 29.29%; 36.67%). Criss's tangible net worth was INR2,623.8 million as of September 2024 and INR2,770 million as of March 2024; the capitalisation has supported by equity infusions from the parent and reasonable internal capital generation in the previous quarters. The agency expects timely capital infusions from Spandana to support Criss's medium term growth plans. Criss expects to maintain leverage below 4.0x in the medium term.

Moderation in Asset Quality and Profitability: Criss's microfinance portfolio has been impacted by the ongoing challenges in the segment, pertaining to over-leveraging of borrowers, adverse climatic conditions, localised political movements, field officer attrition etc. as well the recent floods in Andhra Pradesh and Telangana. Criss's 0+dpd increased to 17.6% as of September 2024 from 8.5% as of June 2024 and 6.0% in March 2024 (March 2023: 8.0%; March 2022: 30.3%); 90+dpd stood at 4.7% as of September 2024 compared to 2.5% as of June 2024 and March 2024. The company's gross stage 3 assets (%) and net stage 3 assets (%) also increased to 4.6% and 1.2% in 1HFY25 from 2.4% and 0.6% in 1QFY25 and 2.9% and 0.6%, respectively, in FY24 (March 2023: 3.9% and 1.5%; March 2022: 9.1% and 6.2%). The company wrote off INR102.8 million during 1HFY25 and INR84.4million in FY24 (FY23: INR313 million). Criss's provision coverage ratio against the gross stage 3 assets also improved to 78.1% in FY24 (FY23: 62.0%; FY22: 33.8%) and stood at 75% for 1HFY25; the company created incremental provisions of INR242.3 million in 1HFY25 compared to INR 108.8 million in FY24.

Criss's earnings profile in 1HFY25 was impacted by the increased operating costs (1HFY25: 10.4%; FY24: 5.0%; FY23: 3.5%) on account of set up of new branches and increased recruitments for scaling up of newer loan products. The credit cost increased sharply to 7.9% (annualised) for 1HFY25 from 2.5% for FY24 as the company incurred incremental credit costs of INR336 million compared to INR164 million. The company reported a loss of INR79.5 million during 1HFY25 translating into a return on assets (RoA; annualised) of -1.9% (FY24: INR334.9 million; 5.2%; FY23: INR14.1 million; 0.2%).

Small Scale with Evolving Product Profile; High Geographic Concentration: Criss's scale of operations is small, with assets under management (AUM) of INR7,955 million as of September 2024 and INR7,742 million as of March 2024 (FY23: INR5,314.6 million, FY22: INR3,840.0 million, FY21: INR4,033.5 million). Furthermore, the AUM is largely concentrated in three states (Andhra Pradesh: 63.5%, Telangana: 21.9%, Rajasthan: 9.1%; others – Karnataka, Madhya Pradesh & Tamil Nadu: 5.5%). As of September 2024, non-qualifying microfinance loans, nano enterprise loans and LAP contributed about 80.1%, 4.4% and 15.5%, respectively, to the total AUM. Criss plans grow its AUM through scaling up of new loan products (micro-LAP 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 INR756.7 million as on 31 October 2024 and a line of credit of INR4,000 million from Spandana (unutilised limit stood at INR1,167.3 million as of November 2024). This is adequate to meet its scheduled debt obligations of INR1,736.7 million between November 2024 and March 2025. The average monthly collections between December 2024 and April 2025 are likely to be around INR577.6 million, which further supports the liquidity profile.

Criss's borrowing profile as on 30 September 2024 comprised funding through the securitisation route (35.7%), non-convertible debentures borrowings (19.3%), term loan from banks (4.9%), term loans from Financial Institutions (21.6%) and inter-corporate deposits from Spandana (18.5%).

Rating Sensitivities

Positive: An improvement in Spandana's credit and financial profile could lead to a positive rating action for Criss.

Negative: Any material dilution in Spandana's 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.

Disclosures for CE Rating

Not applicable

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 that was incorporated in 1992. Criss was acquired by Spandana in FY19 from Padmaja Reddy, the erstwhile managing direction and chief executive officer of Spandana.

As of September 2024, Spandana held 99.90% equity stake in the company. Criss operates largely in Andhra Pradesh (63.5%), Telangana (21.9%), Rajasthan (9.1%). Spandana disburses unsecured microfinance loans, while Criss's loan book consists of non-qualifying microfinance loans, LAP and other unsecured loans.

Key Financial Indicators

Particulars (INR million)	1HFY25	FY24	FY23
Total tangible assets*	9,162.20	7,746.2	5,158.8
Total tangible equity*	2,623.8	2,769.8	1,471.8
Net profit	-79.5	334.9	14.1
Return on average assets (%)	-1.9	5.2	0.3
Equity/assets (%)	28.64	35.8	28.5
Total capital ratio (%)	34.86	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			
				7 October 2024	24 June 2024	11 September 2023	31 March 2023
Bank loan	Long-term	INR2,000	IND A/Negative	IND A/Stable	IND A/Stable	IND BBB+/Stable	IND BBB+/Stable
Non-convertible debentures	Long-term	INR2,500	IND A/Negative	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/Negative
Non-convertible debentures	INE02EP07046	30 August 2024	10.50	30 August 2026	INR750	IND A/Negative
				Limit unutilised	INR1,250	
				Total	INR2,500	
Source: NSDL, Ind-Ra						

Contact

Primary Analyst

Deepali Panda

Associate Director

India Ratings and Research Pvt Ltd

Unit# 614 - 616, 6th Floor, B Wing, Mittal Tower, M G Road, Bengaluru - 560 001

For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst

Ismail Ahmed

Senior Analyst

+91 22 40356187

Media Relation

Ameya Bodkhe

Marketing Manager

+91 22 40356121

About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

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.

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

DISCLAIMER

All credit ratings assigned by india ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.indiaratings.co.in/rating-definitions>. In addition, rating definitions and the terms of use of such ratings are available on the agency's public website www.indiaratings.co.in. Published ratings, criteria, and methodologies are available from this site at all times. India ratings' code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the code of conduct section of this site.