March 31, 2025

Criss Financial Limited (erstwhile Criss Financial Holdings Limited): Provisional [ICRA]A-(SO) assigned to PTC Series A1 issued by Bravlo 2025, backed by a pool of unsecured individual business loans

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
Bravlo 2025	PTC Series A1	38.00	Provisional [ICRA]A-(SO); Assigned

**Instrument details are provided in Annexure I*

Rating in the absence of pending actions/documents	**No rating would have been assigned as it would not be meaningful**

Rationale

The pass-through certificates (PTCs) are backed by a pool of unsecured individual business loan receivables originated by Criss Financial Limited (erstwhile Criss Financial Holdings Limited) ({Criss/Originator; rated [ICRA]A-(Negative)} with an aggregate principal outstanding of Rs. 43.18 crore (pool receivables of Rs. 52.75 crore). Criss would be acting as the servicer for the transaction.

The provisional rating is based on the strength of the cash flows from the selected pool of contracts along with the eligibility criteria for follow-on pools, the credit enhancement available in the structure as well as the integrity of the legal structure. The provisional rating is subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

Transaction structure

As per the transaction structure, the tenure of the pool shall be divided into two periods – replenishment period and amortisation period. Criss will be the Servicer for the transaction.

Replenishment period

The replenishment period will be for 12 months from the transaction commencement date. During this period, PTC Series A1 investor will receive only the promised interest payouts each month. The balance pool collections will be used by the trust to purchase fresh loan receivables from Criss as per the pre-defined selection criteria which would result in build-up of the pool principal during this period and thus increase the subordination for the rated instrument. The transaction also entails certain trigger events for early amortisation. A breach of any of these trigger events would lead to the end of the replenishment period and the start of the amortisation period. If a trigger event occurs at any time during the replenishment period, then the tenure of the PTCs shall be reduced and be co-terminus with the remaining tenure of the pool of receivables assigned to the trust.

Amortisation period

Post the replenishment period, the residual pool collections, after meeting the promised interest payouts to the PTC investors, shall be used to make the expected principal payouts to the PTC investors. However, the principal is 'promised' to the investors only on the legal final maturity date of the transaction. The transaction also entails certain trigger events for pool amortisation. A breach of any of these trigger events would lead to the end of the replenishment period and the start of the amortisation period. If a trigger event occurs at any time during the replenishment period, then the tenure of the PTCs shall be reduced and be co-terminus with the remaining tenure of the pool of receivables held by the trust.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 6.00% of the initial pool principal, amounting to Rs. 2.59 crore, to be provided by the Originator, (ii) principal subordination of 12.00% of the initial pool principal for PTC Series A1 and (iii) the excess interest spread (EIS) in the structure. The initial spread i.e. difference between the pool and PTC interest rate is 14% while the subordination would also increase due to buildup of pool principal in the replenishment period.

Key eligibility criteria for the receivables

The eligibility criteria shall be met on commencement of the transaction and also at each replenishment event for all the new assets being added as well as for the updated pool (as applicable).

The key eligibility criteria that have to be met are mentioned below.

- The facility is a loan to an individual, partnership, sole proprietorship
- No facility is classified as a non-performing asset for the purposes of the directions and guidelines of the RBI.
- The pool should comply with the Minimum Holding Period requirements prescribed by the RBI.
- None of the loans in the pool have residual maturity of less than 365 days
- No facility is/shall be overdue as on the respective pool cutoff date for initial pool/additional receivables to be purchased during the replenishment period.
- Underlying obligor for any Facility should not have been restructured or rescheduled by any lender or NPA with any lender. Underlying obligor should not have had a written off status with the Originator
- All Facilities have an interest payment frequency less than or equal to a month.
- All the Facilities are fully disbursed by the Originator.
- No security deposits (howsoever described) have been taken as security in relation to the Facility.
- No Facility shall have residual tenor of more than 24 months
- Criteria based on scrub analysis:
  - ✓ No Restructured/ Settled/ Suit Filed/ Written off contracts with adverse reporting in last 4 years unless the Bureau score is >700
  - ✓ Max DPD ever with Originator not to be greater than 30 Days
  - ✓ Max DPD ever with Any Lender not to be greater than 90 Days
  - ✓ No loans with total POS as reported in bureau >Rs. 2 lakhs. Loans with POS between 2 and 3 lakhs can be taken if CIBIL>700 and loans with cumulative POS as per scrub greater than 2 Lakhs to not exceed 5% of the total pool
  - ✓ No Loans with CIBIL between 300 to 600
- Weighted average IRR of replenished pool should not be less than weighted average IRR of initial pool
- Maturity date of the underlying loans of replenished pool should not be more than maturity date of transaction
- Branch concentration to not exceed 7.5% and district concentration to not exceed 20%

Trigger events for early amortisation

The key early amortisation triggers which will lead to end of amortisation period are mentioned below.

- The Originator does not have sufficient loans (which meet the eligibility criteria)
- Utilisation of cash collateral to service PTC interest
- Rating downgrade of originator/servicer by two notches from date of transaction
- 30+ PAR on the outstanding pool breaches 10%
- Satisfaction of conditions that will trigger turbo amortisation trigger as defined in the legal documents

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The current pool is granular (no obligor has more than 0.01% share in the initial pool) and the follow-on pools are also expected to be granular thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of CC, subordination and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts. Basis the utilisation of EIS during the replenishing period to purchase fresh receivables subject to eligibility criteria the subordination for PTCs would increase during the replenishment period.

No overdue contracts in the pool – The initial pool has no overdue contracts as on pool cut-off date. Further any follow-on pool would also not include any overdue contracts on date of assignment to trust which is a credit positive.

Credit challenges

Moderate pool selection criteria – A potential concern pertaining to a replenishing structure is the uncertainty regarding the exact composition of the additional receivables. While the current transaction has a specified eligibility criterion, the follow-on pools may have a lower seasoning, lower interest rate contracts and contracts from weaker geographies.

High geographical concentration – The initial pool has a high geographical concentration with contracts from two states which also continue to be the top two states in the portfolio. Further top two districts have ~45% share in the initial pool. However, the geographical concentration at a district level is expected to reduce as per the pool selection criteria. Further there is cap on branch concentration at 7.5% of the pool.

Risks associated with lending business – The performance of both the initial and the follow-on pools would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans. The pool is exposed to the inherent credit risk associated with the unsecured nature of the asset class and that recovery from delinquent contracts tends to be lower.

Lower track record of servicing capability – The originator has lower track record of ~ 3 years for servicing the loan accounts in the unsecured individual business loan segment. However the company has expanded its presence to 83 districts and 6 states as on December 2024.

Key rating assumptions

ICRA's cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. However, since the pool in the current transaction would be revised during the replenishment period, the characteristics of the pool would change unlike other PTC transactions where the pool is static. ICRA has used the defined eligibility criteria to arrive at a potential loss for the follow-on pools. The resulting collections from the current pool and follow on pools, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current transaction, ICRA has estimated the shortfall in the principal of the pool crystalised at the end of replenishment period at 5.50% of the initial pool principal at end of its tenure with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 3% to 9% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

Liquidity position

The liquidity for PTC Series A1 is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be ~4.5 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Since the principal amortisation would begin on the crystallisation of the final pool, the ratings are unlikely to be upgraded till the final pool is crystallised. The rating could be upgraded basis the healthy collections observed in the final crystallised pool, leading to the build-up of the credit enhancement cover over the rated PTCs.

Negative factors – The rating could be downgraded on the occurrence of a trigger event, non-adherence to the key transaction terms and deterioration in the performance of the follow-on pools such that the delinquencies during the amortisation period are higher than expected. Weakening in the credit profile of the servicer (Criss) could also exert pressure on the rating.

Analytical approach

The rating action is based on the analysis of the performance of Criss' portfolio till December 2024, the key characteristics and composition of the current pool, the eligibility criteria for follow-on pools, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

Analytical Approach	
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into final upon the execution of:

1. Trust deed
2. Assignment agreement
3. Legal opinion
4. Trustee letter
5. Auditor's certificate
6. Any other documents executed for the transaction

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

About the originator

Criss Financial Limited is a non-banking financial company (NBFC) incorporated in 1992 and is a subsidiary of Spandana Sphoorty Financial Limited (SSFL). SSFL currently holds a 99.9% stake in Criss. Criss has historically been disbursing non-qualifying microfinance loans, loan against property (LAP). Apart from this, its loan products include personal loans, etc. Going forward, Criss will scale up the LAP portfolio and diversify into other asset segments such as small-ticket unsecured micro, small & medium enterprise (MSME) loans, home improvement loans, etc.

Key financial indicators (audited)

Criss	FY2023	FY2024	9M FY2025
Total income	101.3	146.1	146.3
PAT	1.4	33.5	(54.3)
Total managed assets	553.6	827.4	896.4
Gross stage 3	3.9%	2.5%	4.8%
CRAR	29.3%	33.2%	25.8%

Source: Company, ICRA Research; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust Name	Current Rating (FY2025)			Chronology of Rating History for the Past 3 Years		
	Instrument	Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
			March 31, 2025	-	-	-
Bravlo 2025	PTC Series A1	38.00	**Provisional [ICRA]A-(SO)**	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A1	Moderately Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: click here

Annexure I: Instrument details

Trust Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate (p.a.p.m)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
Bravlo 2025	PTC Series A1	March 21, 2025	12.00%	November 22, 2027	38.00	Provisional [ICRA]A-(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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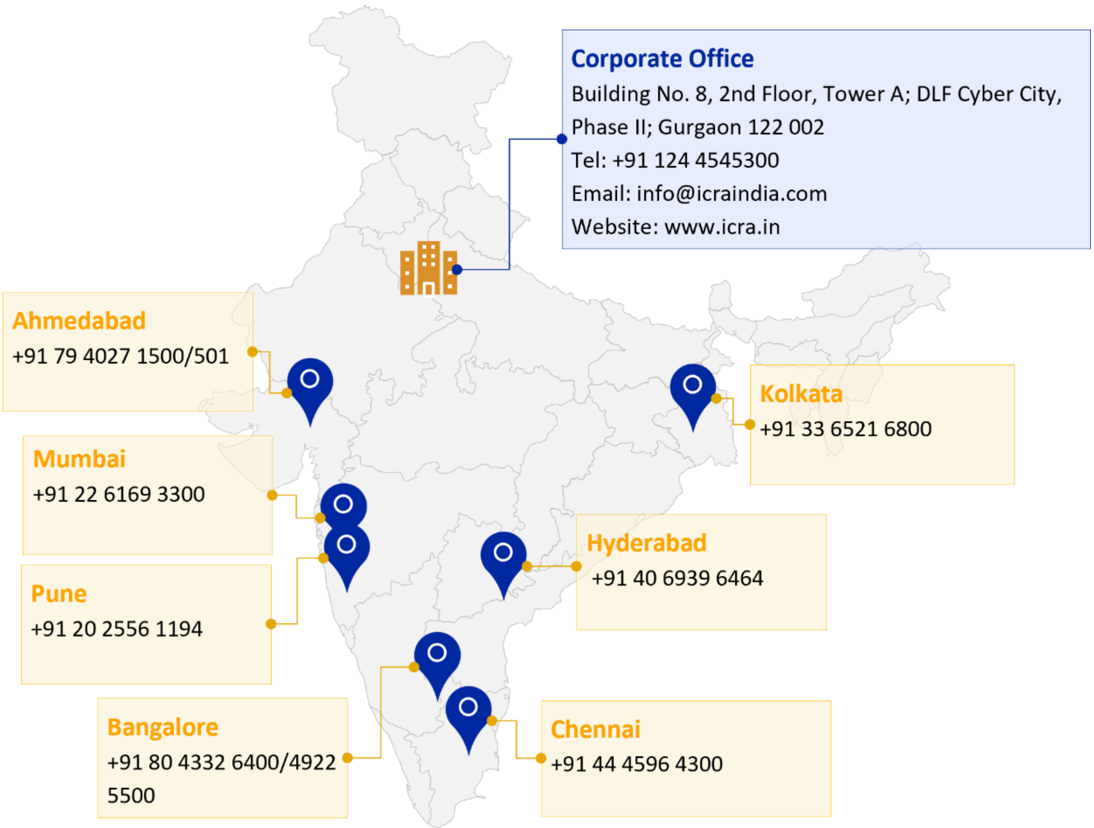

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