June 11, 2025

# Criss Financial Limited (erstwhile Criss Financial Holdings Limited): Rating downgraded to [ICRA]BBB+ (Negative)

## Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|---|---|---|---|
| Long-term fund based – Term loan | 150.0 | 150.0 | [ICRA]BBB+ (Negative); downgraded from [ICRA]A- (Negative) |
| **Total** | **150.0** | **150.0** | |

** Instrument details are provided in Annexure I*

## Rationale

The rating downgrade and continuation of the Negative outlook for Criss Financial Limited (Criss) follow a similar action for Spandana Sphoorty Financial Limited {SSFL; rated [ICRA]A- (Negative), revised from [ICRA]A (Negative)}, which holds an equity stake of 99.9% in Criss. The rating action on SSFL reflects the continued deterioration in its asset quality and profitability in Q4 FY2025 and the expected overall weak performance in the near term. The microfinance industry is experiencing a significant rise in delinquencies, largely on account of borrower overleveraging apart from adverse climatic conditions and other regional factors, which has impacted loan collections. While the sector has witnessed some improvement in Q4 FY2025, the headwinds are expected to continue in the near term.

ICRA notes that Criss' individual loans have also been impacted by most of the above factors as well as floods in certain districts in Andhra Pradesh (AP)/Telangana in FY2025, which weakened its asset quality and resulted in higher credit costs during the year. Hence, the company's return on managed assets (RoMA) declined to -9.3% in FY2025 (annualised) from 4.9% in FY2024.

The rating continues to factor in Criss' small scale of operations, with the portfolio largely concentrated in two states, namely AP (56.2% of the portfolio as of March 2025) and Telangana (18.2%), accentuating the risks associated with geographical concentration. Nevertheless, ICRA derives comfort from the company's status as a critical part of SSFL's diversification plan in the new business segments, i.e., micro loan against property (LAP) and nano enterprise loans. The current loan book, which largely comprises non-qualifying microfinance loans, is expected to shift towards the newer segments.

Criss shall continue to benefit from the managerial, capital, and liquidity support from its parent. SSFL has extended a line of credit (current limit of Rs. 400 crore) and corporate guarantees for Criss' borrowings. At present, the company has an adequate capital profile in relation to its scale of operations, with a net worth of Rs. 307.8 crore and a managed gearing of 1.6 times as of March 2025, on account of capital infusion of Rs. 100 crore made by SSFL in March 2025.

## Key rating drivers and their description

### Credit strengths

**Strategic importance for SSFL** – Criss is a 99.9% subsidiary of SSFL. SSFL's senior management team is actively involved in Criss' day-to-day business and operations. Further, its board comprises members from SSFL's board. ICRA believes that this renewed focus on Criss would benefit it through increased managerial and operational support. Further, SSFL is expected to support the capital (Rs. 100-crore equity was infused each in FY2024 and FY2025) and liquidity requirements as it scales up its operations. Going forward, the business synergies with the parent are expected to help Criss scale-up its operations and diversify geographically.

**Adequate capital structure** – Criss' gearing and total capital adequacy ratio stood at 1.6 times and 38.3%, respectively, as of March 2025 and 1.7 times and 33.2%, respectively, as of March 2024 (2.4 times and 29.3%, respectively, as of March 2023). The capitalisation is supported by equity infusions from the parent (Rs. 100 crore each in FY2025, FY2024 and Rs. 50 crore in FY2021). ICRA expects timely aid from SSFL, as and when required, to support the targeted medium-term portfolio growth and capital profile.

## Credit challenges

**Geographically concentrated operations** – The company's scale of operations is small with assets under management (AUM) of Rs. 789.6 crore as of March 2025 and Rs. 774.2 crore as of March 2024 (Rs. 531.6 crore as of March 2023). Its operations have been predominantly concentrated in two states, i.e., AP (56.2% of the portfolio as of March 2025) and Telangana (18.2%), accentuating the risks associated with geographical concentration. The company recently expanded its operations to four new states, viz., Rajasthan (11.9% to the portfolio as of March 2025), Madhya Pradesh (5.5%), Tamil Nadu (5.2%) and Karnataka (2.9%). As such, Criss has increased its presence to 72 districts as of March 2025 from 56 districts as of March 2024. Its top district contributed 17.5% to its total portfolio as of March 2025.

Criss has historically been disbursing unsecured loans, which constituted 75.4% of its total loan portfolio as of March 2025 (balance 24.6% derived from LAP). ICRA notes that the company will be predominantly focussing on scaling up the micro LAP and nano enterprise loan segments, mainly in Rajasthan, Madhya Pradesh, Karnataka and Tamil Nadu. Criss' ability to increase its member base, recruit and retain employees, scale-up its operations and augment its geographical diversity, in line with its medium-term plans, would be a key monitorable.

**Modest borrower profile impacting asset quality and earnings** – Criss' borrowers in the new focus segments would mainly be small business owners and self-employed individuals with a focus on the services industry. These borrowers usually have modest credit profiles without traditional income evidence. Given the significant growth targeted by the company over the medium term, its ability to control the asset quality on a sustained basis remains to be seen. The asset quality deteriorated in FY2025 due to multiple factors such as overleveraging of borrowers, high employee attrition, etc. Criss' 0+days past due (dpd) and 90+dpd deteriorated to 18.7% and 11.1%, respectively, as of March 2025 (6.0% and 2.5%, respectively, as of March 2024). Further, its operating costs increased in FY2025 as it focussed on scaling up its operational infrastructure. Consequently, the company reported net loss of 9.3% (% of average managed assets) in FY2025 against profit of 4.9% in FY2024.

## Liquidity position: Adequate

Criss had on-book liquidity of Rs. 6.5 crore as on May 31, 2025, and a line of credit from SSFL (unutilised limit stood at ~Rs. 307.3 crore as of May 2025). As of March 2025, the ALM is positive across buckets in the one-year period. The liquidity, along with expected inflows, are adequate for meeting debt obligation of Rs. 102.1 crore between June 2025 and August 2025. As on March 31, 2025, Criss' total borrowings stood at Rs. 482.4 crore ((non-convertible debentures (NCDs): 27%, term loans (TLs): 26%, PTC securitisation 43% and Inter corporate debt (ICD): 5%). ICRA expects timely support from SSFL, when required. Nevertheless, it is critical for Criss to diversify its external funding sources as the business expands.

## Rating sensitivities

**Positive factors** – An improvement in SSFL's credit profile would positively impact the rating.

**Negative factors** – Pressure on Criss' rating could arise on a material deterioration in SSFL's credit profile. A significant deterioration in the asset quality, impacting the earnings or leverage profile, would also negatively impact the rating.

## Analytical approach

| Analytical approach | Comments |
|---|---|
| **Applicable rating methodologies** | Non-banking Finance Companies (NBFCs) |
| **Parent/Group support** | The rating factors in the high likelihood of the parent, SSFL, extending financial support, given its majority shareholding |
| **Consolidation/Standalone** | The rating is based on Criss' standalone financial statements |

## About the company

Criss Financial Limited, incorporated in 1992, is a non-banking financial company (NBFC) and a subsidiary of SSFL. At present, SSFL holds a 99.9% stake in Criss. Criss has historically been disbursing non-qualifying microfinance loans and loans against property (LAP). Apart from this, its loan products include nano and MSME 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

| Criss Financial Limited | FY2023 | FY2024 | FY2025 |
|---|---|---|---|
| **Total income** | 101.3 | 146.1 | 190.7 |
| **PAT** | 1.4 | 33.5 | (80.4) |
| **Total managed assets** | 553.6 | 827.4 | 909.4 |
| **Return on managed assets** | 0.3% | 4.9% | (9.3%) |
| **Managed/Adjusted/Reported gearing (times)** | 2.4 | 1.7 | 1.6 |
| **Gross stage 3** | 3.9% | 2.5% | 11.1% |
| **CRAR** | 29.3% | 33.2% | 38.3% |

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore*

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

| | Current (FY2026) | | | Chronology of rating history for the past 3 years | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | FY2025 | | FY2024 | | FY2023 | |
| Instrument | Type | Amount rated (Rs. crore) | Jun-11-2025 | Date | Rating | Date | Rating | Date | Rating |
| **Term loan** | Long-term | 150.00 | [ICRA]BBB+ (Negative) | Feb 03, 2025 | [ICRA]A- (Negative) | Jan 15, 2024 | [ICRA]A- (Positive) | Mar 01, 2023 | [ICRA]BBB (Positive) |
| | | | | Dec 05, 2024 | [ICRA]A (Negative) | Aug 21, 2023 | [ICRA]BBB+ (Stable) | Oct 04, 2022 | [ICRA]BBB (Stable) |
| | | | | Oct 18, 2024 | [ICRA]A (Stable) | - | - | Jun 17, 2022 | [ICRA]BBB& |
| | | | | Jul 15, 2024 | [ICRA]A (Stable) | - | - | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **MLD** | Long-term | - | - | Oct 18, 2024 | PP-MLD[ICRA] A (Stable); withdrawn | Jan 15, 2024 | PP-MLD[ICRA] A-(Positive) | Mar 01, 2023 | [ICRA]BBB (Positive) |
| | | | | Jul 15, 2024 | PP-MLD[ICRA] A (Stable) | Aug 21, 2023 | PP-MLD[ICRA] BBB+ (Stable) | Oct 04, 2022 | PP-MLD[ICRA] BBB (Stable) |
| | | | | | | | | Jun 17, 2022 | PP-MLD [ICRA] BBB& |

*&-Rating Watch with Developing Implications*

## Complexity level of the rated instrument

| Instrument | Complexity indicator |
|---|---|
| **Long-term fund based – Term loan** | Simple |

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

| ISIN | Instrument name | Date of issuance | Coupon rate | Maturity | Amount rated (Rs. crore) | Current rating and outlook |
|---|---|---|---|---|---|---|
| **NA** | **Long-term fund based – Term loan** | Dec-2022 to Jun-2023 | NA | Jun-2025 to Jul-2025 | 2.36 | [ICRA]BBB+ (Negative) |
| **-** | **Term loan (unutilised)** | NA | NA | NA | 147.64 | [ICRA]BBB+ (Negative) |

*Source: Company*

*Please click here to view details of lender-wise facilities rated by ICRA*

## Annexure II: List of entities considered for consolidated analysis

Not applicable

## ANALYST CONTACTS

**Karthik Srinivasan**
+91 22 6114 3444
karthiks@icraindia.com

**A M Karthik**
+91 44 4596 4308
a.karthik@icraindia.com

**R Srinivasan**
+91 44 4596 4315
r.srinivasan@icraindia.com

**Shaik Abdul Saleem**
+91 40 6939 6464
shaik.saleem@icraindia.com

**Jaynesh Shah**
+91 22 6169 3300
jaynesh.shah@icraindia.com

## RELATIONSHIP CONTACT

**L. Shivakumar**
+91 22 6114 3406
shivakumar@icraindia.com

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**
Tel: +91 124 4545 860
communications@icraindia.com

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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.

For more information, visit www.icra.in

## ICRA Limited

### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

### Branches