

August 26, 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]BBB+ (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 weakening in its parent, Spandana Sphoorty Financial Limited's [SSFL; rated [ICRA]BBB+ (Negative), revised from [ICRA]A- (Negative)] risk profile. SSFL 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 Q1 FY2026 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. ICRA notes that Criss' individual loans have also been impacted by most of the above factors in FY2025 and Q1 FY2026, which weakened its asset quality and resulted in a sharp increase in credit costs during the year. Hence, the company's return on managed assets (RoMA) declined to -14.1% in Q1 FY2026 (annualised) and -9.3% in FY2025 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 Andhra Pradesh (52.6% of the portfolio as of June 2025) and Telangana (17.5%), accentuating the risks associated with geographical concentration. ICRA notes that Criss is expected to play a critical part in SSFL's diversification plan in the new business segments, i.e., micro loan against property (LAP) and nano enterprise loans. These loans are expected to be originated by Criss, when the current headwinds subside. Thus, 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. 276.8 crore and a managed gearing of 1.8 times as of June 2025, on account of capital infusion of Rs. 100 crore 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. 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. Criss is expected to play a critical part in SSFL's diversification plan in the new business segments, i.e., micro LAP and nano enterprise loans. These loans are expected to be originated by Criss, when the current headwinds faced by the group subside.

Adequate capital structure – Criss' gearing and total capital adequacy ratio stood at 1.8 times and 31.7%, respectively, as of June 2025, and at 1.6 times and 38.3%, respectively, as of March 2025 (1.7 times and 33.2%, respectively, as of March 2024). The capitalisation is supported by equity infusions from the parent (Rs. 100 crore each in FY2025 and 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. 712.2 crore as of June 2025 and Rs. 789.6 crore as of March 2025 (Rs. 774.2 crore as of March 2024). Its operations have been predominantly concentrated in the two states of Andhra Pradesh (52.6% of the portfolio as of June 2025) and Telangana (17.5%), accentuating the risks associated with geographical concentration. The company expanded its operations to four new states, viz., Rajasthan (13.6%), Madhya Pradesh (7.2%), Tamil Nadu (5.8%) and Karnataka (3.3%). Criss has its presence in 69 districts as of June 2025 from 72 districts as of March 2025 (56 districts as of March 2024). Its top district contributed 15.6% to its total portfolio as of June 2025.

Criss has historically disbursed unsecured loans, which constituted 68.4% of its total loan portfolio as of June 2025 (balance 31.6% 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 service industry. These borrowers usually have modest credit profiles without traditional income evidence. The asset quality deteriorated in FY2025 and Q1 FY2026 due to multiple factors such as overleveraging of borrowers and high employee attrition. Criss' 0+days past due (dpd) and 90+dpd deteriorated to 18.3% and 8.8%, respectively, as of June 2025, and to 18.7% and 11.1% as of March 2025 (6.0% and 2.5% as of March 2024). Further, its operating costs increased in FY2025 and Q1 FY2026 as it focussed on scaling up its operational infrastructure and decline in AUM. Consequently, the company reported net loss of 14.1% (annualised; % of average managed assets) in Q1 FY2026 and 9.3% in FY2025 against profit of 4.9% in FY2024.

Liquidity position: Adequate

Criss had an on-book liquidity of Rs. 8.9 crore as on July 31, 2025, and a line of credit from SSFL (unutilised limit stood at about Rs. 177.3 crore as of July 2025). The liquidity, along with expected inflows, are adequate for meeting debt obligation of Rs. 102.1 crore during August–October 2025. As on June 30, 2025, Criss' total borrowings stood at Rs. 495.0 crore (non-convertible debentures, or NCDs: 25%; term loans, or TLs: 19%; pass through certificate (PTC) securitisation: 33%; and Inter corporate debt, or ICD: 23%). ICRA expects timely support from SSFL, as and 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 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 LAP. In addition, its loan products include nano, and micro, small and medium enterprise (MSME) loans. Going forward, Criss will scale up the LAP portfolio and diversify into other asset segments such as small-ticket unsecured MSME loans and home improvement loans.

Key financial indicators

Criss Financial Limited	FY2024	FY2025	Q1 FY2026
Total income	146.1	190.7	42.0
PAT	33.5	(80.4)	(31.3)
Total managed assets	827.4	909.4	864.8
Return on managed assets	4.9%	(9.3%)	(14.1%)
Managed/Adjusted/Reported gearing (times)	1.7	1.6	1.8
Gross stage 3	2.5%	11.1%	8.8%
CRAR	33.2%	38.3%	31.7%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount 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							
Instrument	Type	Amount rated (Rs. crore)	Aug-26-2025	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loan	Long - term	150.00	[ICRA]BBB (Negative)	Jun-11-2025	[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	-	-	Jun-11-2025	-	Feb-03-2025	-	Jan-15-2024	PP-MLD[ICRA] A-(Positive)	Mar-01-2023	PP-MLD[ICRA] BBB (Positive)
						Dec-05-2024	-	Aug-21-2023	PP-MLD[ICRA] BBB+ (Stable)	Oct-04-2022	PP-MLD[ICRA] BBB (Stable)
						Oct-18-2024	PP-MLD[ICRA] A (Stable); withdrawn			Jun-17-2022	PP-MLD [ICRA] BBB&
						Jul-15-2024	PP-MLD[ICRA] A (Stable)				

&-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
-	Term loan (unutilised)	NA	NA	NA	150.00	[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

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