

Rating Rationale

July 02, 2024 | Mumbai

KrazyBee Services Private Limited

'CRISIL A-/Stable' assigned to Non Convertible Debentures; Rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.650 Crore (Enhanced from Rs.450 Crore)
Long Term Rating	CRISIL A-/Stable (Reaffirmed)

Rs.400 Crore Non Convertible Debentures	CRISIL A-/Stable (Assigned)
Rs.200 Crore Non Convertible Debentures	CRISIL A-/Stable (Reaffirmed)
Rs.250 Crore Non Convertible Debentures	CRISIL A-/Stable (Reaffirmed)
Rs.150 Crore Non Convertible Debentures	CRISIL A-/Stable (Reaffirmed)
Rs.27 Crore Non Convertible Debentures	CRISIL A-/Stable (Reaffirmed)
Rs.100 Crore Non Convertible Debentures	CRISIL A-/Stable (Reaffirmed)
Rs.75 Crore (Reduced from Rs.100 Crore) Non Convertible Debentures	CRISIL A-/Stable (Reaffirmed)
Rs.100 Crore Non Convertible Debentures	CRISIL A-/Stable (Reaffirmed)
Rs.100 Crore Non Convertible Debentures	CRISIL A-/Stable (Reaffirmed)
Rs.300 Crore Commercial Paper	CRISIL A1 (Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its 'CRISIL A-/Stable' rating to the non-convertible debentures of Rs 400 crore of KrazyBee Services Private Limited (KrazyBee) while reaffirming its 'CRISIL A-/Stable/CRISIL A1' on the existing debt instruments and bank facilities.

CRISIL Ratings has also **withdrawn** its ratings on non-convertible debentures amounting to Rs.25 crore (See 'Annexure - Details of Rating Withdrawn' for details) on redemption and receipt of requisite documentation. The rating is withdrawn in line with CRISIL Ratings' policy on withdrawal of ratings.

The rating continues to factor in strong capitalisation and improving profitability metrics of the company. The capitalisation metrics of the company have improved with networth of Rs. 2,630 crore (Rs 2,000 crore as of March 31, 2023) and a gearing of 1 time as on March 31, 2024 (0.6 times as on March 31, 2023), rising significantly from a networth at Rs 646 crores as on March 31, 2022, with gearing at 1.2 times. This is driven by regular equity infusion and strong backing from private equity (PE) partners such as Premji Invest, Advent International, MUFG Bank, TPG NewQuest Capital, Motilal Oswal Private Equity, ICICI Bank amongst others. Further the profitability has also improved in fiscal 2024 with the company reporting profits of Rs 285 crore during fiscal 2024, resulting in a RoMA of 4%, compared to a profit after tax (PAT) and RoMA of Rs 93 crore and 2.3% respectively during fiscal 2023.

The ratings also factor in the company's scalable business model equipped with technology for end-to-end operations and a strong management team. These strengths are partially offset by the inherent vulnerability of asset quality metrics given the segment of borrowers and moderate, although improving, earnings profile. Any material adverse impact on the business risk profile because of regulatory changes will be a key monitorable.

Analytical Approach

For arriving at the ratings of KrazyBee Services Private Limited, CRISIL Ratings has taken a consolidated approach. CRISIL Ratings has on a consolidated basis analysed the businesses of KrazyBee Services Private Limited (KrazyBee), Finnovation Tech Solutions Private Limited (FTSPL), and their parent Finnov Private Limited (FPL).

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- Healthy and improving capitalisation metrics:** Since inception, the group has raised equity of ~ Rs 2,100 crore in primary infusion and an additional over Rs 700 crore in secondary share sale. Owing to timely capital infusion, the group had strong networth of Rs 2,000 crore as on March 31, 2023, backed by primary equity infusion of Rs 1,288 crore in fiscal 2023 and a PAT of Rs 93 crore generated in fiscal 2023. The group's gearing was comfortable at 0.6 times as on the same date. Backed by a PAT of Rs 285 crore during fiscal 2024, the net worth further improved to Rs 2,630 crore with a gearing of 1 time as on March 31, 2024. On a standalone level, KrazyBee had a networth of Rs 2,050 crore and gearing of 1.3 times as on March 31, 2024. On a steady-state basis, CRISIL Ratings expects the gearing to stay below

3 times. The ability of the group to raise capital on an ongoing basis to fund growth momentum will remain a key monitorable.

- **Scalable business model led by strong tech platform:** KrazyBee offers unsecured loans of up to Rs 4 lakh to young professionals for a tenure of up to 48 months. The company has a fully automated digital lending model with the loan origination happening through the mobile application 'Kreditbee', owned by the group company, FTSPL. Owing to its digital origination method, the company has a sphere of lending across India.

The origination and disbursements of loans happen through the mobile application, which has an integrated in-house technology platform with an interactive user-friendly app and website to facilitate the borrowers to apply for loans. The platform has tie-ups with partner lenders. It has end-to-end integration in terms of loan origination, risk assessment, collections, etc. It is also integrated with partner lenders, allowing for seamless operations and accounting.

Further, post the digital lending guidelines, the processing fees which were earlier collected by FTSPL and were accounted on receipt basis, are now being collected by Krazybee and the same is being amortized over the tenor of the loan. Krazybee shares a portion of the processing fees with its lending partners as well.

Disbursements more than doubled in fiscal 2023, despite the change in business model due to the digital lending guidelines and reached Rs 13,953 crore in fiscal 2023 compared to Rs 5,796 crore in fiscal 2022. The disbursements remained healthy during fiscal 2024 as well, standing at Rs 20,738 crore. Further the average tenor of the loans has also gradually increased to ~9 months.

With increased disbursements, the assets under management (AUM) grew to Rs 7,644 crore as on March 31, 2024, from Rs 4,644 crore as on March 31, 2023, registering an annual growth of 65%.

- **Modest earnings profile:** Given the business model, the group generates both interest income from the loan extended by KrazyBee and processing fees with each disbursement. In its earlier years of operations, with the majority of disbursements being towards very short-tenured personal loan products, processing fees (as a percentage of total income) remained high and in the range of 50-80%.

During fiscal 2023, despite a rising share of longer-tenured disbursements, processing fees as a percentage of total income remained high at ~48%, on account of rapid growth in disbursements which more than doubled to Rs 13,953 crore during fiscal 2023. Although, during fiscal 2024, share of processing fee reduced to ~15%, following Krazybee's decision to share processing fees with its co-lending partners on an upfront basis, while also recognizing a portion of the processing fee (amortised) as interest income in line with IND-AS norms.

The company reported a PAT of Rs 93 crore in fiscal 2023 resulting in a RoMA of 2.3% while the same during fiscal 2024 was at Rs 285 crore and 4% respectively. The improvement stemmed from the improved operating costs (as a percentage of total managed assets) which, although remained elevated, reduced to 12.5% for fiscal 2024 compared to 16% for fiscal 2023.

Based on disbursements during the period, operating costs improved marginally (as a % of disbursements) to 4.3% during fiscal 2024, as compared to 4.6% during fiscal 2023. The improvement was primarily owing to the rising scale of operations of the company. Credit costs too, as a percentage of disbursements, witnessed an improving trend with it improving to 2.1% during fiscal 2024, as compared to 2.4% during fiscal 2023 (3.4%: fiscal 2022). Nevertheless, during the quarter ending March 31, 2024, cost of borrowings for the company inched up marginally, following the rise in risk weights towards NBFCs for banks and the consequent rate hike by the latter. Going forward, the ability of Krazybee to pass on the rate hike to its borrowers whilst ensuring improvement in earnings profile will remain a key monitorable.

Weakness:

- **Vulnerability in asset quality owing to risks associated with borrower class:** The company focuses on giving unsecured loans to young professionals, wherein asset quality metrics remain vulnerable to slippages. Also, with the company carrying an aggressive write-off policy, wherein it writes off loans at 180 days dpd, asset quality metrics are measured post adjusting for write-offs during the period.

However, post the pandemic, with the reopening of economy and a higher focus on collections, asset quality metrics of the group improved gradually, with 90+ dpd adjusted for write-offs (as a percentage of disbursements) declining to 2.2% as on March 31, 2023, while that on AUM basis improving to 6.5%. For the period ending March 31, 2024, 90+ dpd adjusted for write-offs (as a percentage of disbursements) improved further to 1.6%, which stood at 4.3% on an AUM basis. Nevertheless, given the inherent nature of its product segment, the ability of Krazybee to sustain comfortable levels of asset quality metrics whilst increasing its scale of operations remains a key monitorable.

The collection efficiency of the group over the past twelve months has remained adequate and in the range of 94-97%. Furthermore, the company has shifted its focus to borrowers with better credit. Of the total disbursements since April 2022, over 90% has been towards borrowers with CIBIL score greater than 700; as against earlier wherein NTC/CIBIL score under 700 used to account for ~60% of total disbursements. Additionally, over 80% of the disbursements are to repeat borrowers with a track record with KrazyBee, which provides some comfort. The ability to improve asset quality metrics as the portfolio scales up on a static basis will remain a key monitorable.

Liquidity: Adequate

Asset-liability maturity profile of KrazyBee stood comfortable with cumulative positive mismatches across all time buckets as on March 31, 2024. At a consolidated level, unencumbered cash and cash equivalent (including unutilized bank lines) stood

at Rs 672 crore as on March 31, 2024, against debt repayment obligation (including interest) of ~Rs 951 crore over April to June 2024.

Outlook: Stable

CRISIL Ratings believes KrazyBee will maintain healthy capitalisation metrics. Sustainability of asset quality performance and profitability will be a key monitorable.

Rating Sensitivity factors

Upward factors:

- Increase in scale of operations while maintaining the asset quality metrics and the earning profile.
- Sustainability in profitability with the RoMA staying above 3.5% in the medium term

Downward factors:

- Sharp Increase in steady state gearing or inability to bring in capital
- Adverse movement in asset quality leading to substantial impact on earnings and capitalisation metrics
- Sustained decline in earnings and/ or profitability with RoMA reducing to less than 2.5% over the medium term

About the Company

KrazyBee Services (P) Limited is a systemically important, non-deposit taking, non-banking financial company (ND-NBFC). The company commenced operations in fiscal 2017 and is founded by Mr Madhusudan Ekambaram, Mr Vivek Veda and Mr Karthikeyan Krishnaswamy, who have prior experience in product portfolio management, sales, technology and finance. It is backed by strong PE investors such as Premji Invest, Advent International, MUFG Bank, TPG NewQuest Capital, Motilal Oswal Private Equity, ICICI Bank amongst others. The company focuses on providing unsecured personal loans to young professionals in India.

The company offers unsecured personal loans to young professionals, with ticket sizes varying up to Rs 4 lakh with average tenure of around nine months. It offers loans through its group company, Finnovation Tech Solutions Private Limited (FTSPL), which has a tech platform, 'KreditBee' and the platform originates loans for KrazyBee and several other partner-lenders.

The group has an in-house technological base with end-to-end integration for loan origination, risk assessment, collections, accounting. Owing to its digital origination method, the group has a sphere of lending across India.

Key Financial Indicators: (Consolidated)

As on / for the period ended	Unit	March 2024 [^]	March 2023	March 2022
Total assets	Rs crore	5,671	3,433	1,591
Total income	Rs crore	1,948	1,268	642
Profit after tax (PAT)	Rs crore	285	93	(35)
90+ dpd	%	1.4	1.1	1.7
Gearing	Times	1.0	0.6	1.2
Return on managed assets	%	4.0	2.3	(1.8)

[^] Provisional numbers

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings' complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity	Rating assigned with outlook
NA	Non-Convertible Debentures*	NA	NA	NA	400	Simple	CRISIL A-/Stable
NA	Non-Convertible Debentures*	NA	NA	NA	136.96	Simple	CRISIL A-/Stable
INE07HK07734	Non-Convertible Debentures	12-Jun-2024	12.50%	12-Dec-2025	80	Simple	CRISIL A-/Stable
INE07HK07742	Non-Convertible Debentures	19-Jun-2024	10.20%	19-Dec-2025	50	Simple	CRISIL A-/Stable
INE07HK07759	Non-Convertible Debentures	01-Jul-2024	11.82%	09-Nov-2026	21.94	Simple	CRISIL A-/Stable
INE07HK07692	Non-Convertible Debentures (Tranche-I)	16-Feb-2024	9.85%	16-May-2025	100	Simple	CRISIL A-/Stable

INE07HK07692	Non-Convertible Debentures (Tranche-II)	22-Mar-2024	9.85%	16-May-2025	35	Simple	CRISIL A-/Stable
INE07HK07700	Non-Convertible Debentures	13-Mar-2024	12.00%	13-Sep-2025	35	Simple	CRISIL A-/Stable
INE07HK07676	Non-Convertible Debentures	23-Feb-2024	10.15%	23-May-2025	40	Simple	CRISIL A-/Stable
INE07HK07643	Non-Convertible Debentures	30-Nov-2023	11.80%	30-May-2025	40	Simple	CRISIL A-/Stable
INE07HK07650	Non-Convertible Debentures	23-Nov-2023	10.96%	09-Aug-2025	54.6	Simple	CRISIL A-/Stable
INE07HK07619	Non-Convertible Debentures	20-Oct-2023	9.80%	21-Oct-2024	25	Simple	CRISIL A-/Stable
INE07HK07627	Non-Convertible Debentures (Tranche-I)	20-Oct-2023	9.84%	20-Jan-2025	25	Simple	CRISIL A-/Stable
INE07HK07627	Non-Convertible Debentures (Tranche-II)	12-Jan-2024	9.84%	20-Jan-2025	115	Simple	CRISIL A-/Stable
INE07HK07635	Non-Convertible Debentures	31-Oct-2023	10.19%	20-Nov-2024	42	Simple	CRISIL A-/Stable
INE07HK07593	Non-Convertible Debentures	03-Oct-2023	10.60%	07-Oct-2024	75	Simple	CRISIL A-/Stable
INE07HK07601	Non-Convertible Debentures	03-Oct-2023	10.50%	07-Oct-2024	25	Simple	CRISIL A-/Stable
NA	Commercial Paper	NA	NA	7-365 days	300	Simple	CRISIL A1
INE07HK07429	Non-Convertible Debentures	28-Nov-2022	12.50%	28-May-2024	17.5	Simple	CRISIL A-/Stable
INE07HK07460	Non-Convertible Debentures	19-May-2023	10.58%	26-May-2024	35	Simple	CRISIL A-/Stable
INE07HK07486	Non-Convertible Debentures	06-Jun-2023	10.25%	06-Dec-2024	49	Simple	CRISIL A-/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	238	NA	CRISIL A-/Stable
NA	Term Loan	NA	NA	18-Nov-2024	60	NA	CRISIL A-/Stable
NA	Term Loan	NA	NA	30-Sep-2024	20	NA	CRISIL A-/Stable
NA	Term Loan	NA	NA	31-Dec-2024	22	NA	CRISIL A-/Stable
NA	Term Loan	NA	NA	13-Aug-2025	75	NA	CRISIL A-/Stable
NA	Term Loan	NA	NA	17-Aug-2024	50	NA	CRISIL A-/Stable
NA	Term Loan	NA	NA	07-Mar-2025	25	NA	CRISIL A-/Stable
NA	Term Loan	NA	NA	25-Oct-2024	30	NA	CRISIL A-/Stable
NA	Term Loan	NA	NA	01-Jul-2025	25	NA	CRISIL A-/Stable
NA	Working Capital Demand Loan	NA	NA	NA	105	NA	CRISIL A-/Stable

*Yet to be issued

Annexure - Details of Rating Withdrawn

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity	Rating assigned with outlook
INE07HK07395	Non-Convertible Debentures	31-Oct-2022	11.75%	30-Apr-2024	25	Simple	Withdrawn

Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Finnov Private Limited	Full	Parent

KrazyBee Services Private Limited	Full	Subsidiary
Finnovation Tech Solutions Private Limited	Full	Subsidiary

Annexure - Rating History for last 3 Years

	Current			2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	650.0	CRISIL A-/Stable	30-05-24	CRISIL A-/Stable	26-12-23	CRISIL A-/Stable	14-11-22	CRISIL BBB+/Stable		--	--
			--	22-04-24	CRISIL A-/Stable	15-12-23	CRISIL A-/Stable	14-10-22	CRISIL BBB+/Stable		--	--
			--	26-03-24	CRISIL A-/Stable	07-11-23	CRISIL A-/Stable	04-10-22	CRISIL BBB+/Stable		--	--
			--	15-03-24	CRISIL A-/Stable	18-10-23	CRISIL A-/Stable	12-09-22	CRISIL BBB+/Stable		--	--
			--	01-02-24	CRISIL A-/Stable	03-10-23	CRISIL A-/Stable		--		--	--
			--		--	18-09-23	CRISIL A-/Stable		--		--	--
			--		--	12-09-23	CRISIL A-/Stable		--		--	--
			--		--	08-02-23	CRISIL BBB+/Stable		--		--	--
			--		--	30-01-23	CRISIL BBB+/Stable		--		--	--
Commercial Paper	ST	300.0	CRISIL A1	30-05-24	CRISIL A1	26-12-23	CRISIL A1	14-11-22	CRISIL A2+		--	--
			--	22-04-24	CRISIL A1	15-12-23	CRISIL A1	14-10-22	CRISIL A2+		--	--
			--	26-03-24	CRISIL A1	07-11-23	CRISIL A1		--		--	--
			--	15-03-24	CRISIL A1	18-10-23	CRISIL A1		--		--	--
			--	01-02-24	CRISIL A1	03-10-23	CRISIL A1		--		--	--
			--		--	18-09-23	CRISIL A1		--		--	--
			--		--	12-09-23	CRISIL A1		--		--	--
			--		--	08-02-23	CRISIL A2+		--		--	--
			--		--	30-01-23	CRISIL A2+		--		--	--
Non Convertible Debentures	LT	1402.0	CRISIL A-/Stable	30-05-24	CRISIL A-/Stable	26-12-23	CRISIL A-/Stable	14-11-22	CRISIL BBB+/Stable		--	--
			--	22-04-24	CRISIL A-/Stable	15-12-23	CRISIL A-/Stable	14-10-22	CRISIL BBB+/Stable		--	--
			--	26-03-24	CRISIL A-/Stable	07-11-23	CRISIL A-/Stable	04-10-22	CRISIL BBB+/Stable		--	--
			--	15-03-24	CRISIL A-/Stable	18-10-23	CRISIL A-/Stable		--		--	--
			--	01-02-24	CRISIL A-/Stable	03-10-23	CRISIL A-/Stable		--		--	--
			--		--	18-09-23	CRISIL A-/Stable		--		--	--
			--		--	12-09-23	CRISIL A-/Stable		--		--	--
			--		--	08-02-23	CRISIL BBB+/Stable		--		--	--
			--		--	30-01-23	CRISIL BBB+/Stable		--		--	--
Long Term Principal Protected Market Linked Debentures	LT		--	22-04-24	CRISIL PPMLD A-/Stable	26-12-23	CRISIL PPMLD A-/Stable	14-11-22	CRISIL PPMLD BBB+ r /Stable		--	--
			--	26-03-24	CRISIL PPMLD A-/Stable	15-12-23	CRISIL PPMLD A-/Stable	14-10-22	CRISIL PPMLD BBB+ r /Stable		--	--
			--	15-03-24	CRISIL PPMLD A-/Stable	07-11-23	CRISIL PPMLD A-/Stable		--		--	--

			--	01-02-24	CRISIL PPMLD A-/Stable	18-10-23	CRISIL PPMLD A-/Stable		--		--	--
			--		--	03-10-23	CRISIL PPMLD A-/Stable		--		--	--
			--		--	18-09-23	CRISIL PPMLD A-/Stable		--		--	--
			--		--	12-09-23	CRISIL PPMLD A-/Stable		--		--	--
			--		--	08-02-23	CRISIL PPMLD BBB+/Stable		--		--	--
			--		--	30-01-23	CRISIL PPMLD BBB+ r /Stable		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Proposed Long Term Bank Loan Facility	200	Not Applicable	CRISIL A-/Stable
Proposed Long Term Bank Loan Facility	38	Not Applicable	CRISIL A-/Stable
Term Loan	30	Utkarsh Small Finance Bank Limited	CRISIL A-/Stable
Term Loan	75	IDFC FIRST Bank Limited	CRISIL A-/Stable
Term Loan	20	Indian Overseas Bank	CRISIL A-/Stable
Term Loan	50	AU Small Finance Bank Limited	CRISIL A-/Stable
Term Loan	50	The Hongkong and Shanghai Banking Corporation Limited	CRISIL A-/Stable
Term Loan	22	Suryoday Small Finance Bank Limited	CRISIL A-/Stable
Term Loan	25	Bank of Maharashtra	CRISIL A-/Stable
Term Loan	10	AU Small Finance Bank Limited	CRISIL A-/Stable
Term Loan	25	Axis Bank Limited	CRISIL A-/Stable
Working Capital Demand Loan	50	Kotak Mahindra Bank Limited	CRISIL A-/Stable
Working Capital Demand Loan	30	IndusInd Bank Limited	CRISIL A-/Stable
Working Capital Demand Loan	25	RBL Bank Limited	CRISIL A-/Stable

Criteria Details

Links to related criteria
Rating Criteria for Finance Companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Criteria for Consolidation
CRISILs Criteria for rating short term debt

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