

KrazyBee Services Private Limited

January 15, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	400.00	CARE A-; Stable	Reaffirmed
Non-convertible debentures I	150.00	CARE A-; Stable	Reaffirmed
Non-convertible debentures II	100.00	CARE A-; Stable	Reaffirmed
Non-convertible debentures III	300.00	CARE A-; Stable	Reaffirmed
Non-convertible debentures IV	400.00	CARE A-; Stable	Assigned
Commercial paper	300.00	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities and debt instruments of KrazyBee Services Private Limited (KrazyBee) reflect the company's strong capitalisation levels supported by regular capital raises, business potential of the technology-led business model, where end-to-end process is digital, and strong platform provided by the group company, which offers significant scalability of operations. Assets under management (AUM) grew by 65% year-on-year, reaching ₹7,644 crore as on March 31, 2024, up from ₹4,644 crore as on March 31, 2023. AUM further increased by 14% in the first half of FY25 and stood at ₹8,735 crore as on September 30, 2024.

Ratings also acknowledge the improvement in profitability, with the company reporting a consolidated return on managed assets (ROMA) of 3.9% in FY24 compared to 2.3% in FY23. In the first half of FY25, the company reported a ROMA of 3.0%.

In July 2024, the parent entity, Finnov Private Limited, was dissolved, and its shareholders became direct shareholders of KrazyBee Services Private Limited (KrazyBee) and Finnovation Technology Solutions Private Limited (Finnovation).

However, ratings are constrained by the group's limited track record with evolving nature of its products in the personal loan segment which includes changes in ticket sizes and tenure, vulnerability to asset quality pressures due to the inherent risks associated with exposure to unsecured loan segments, moderate resource profile with improvement in proportion of bank funding, and regulatory risks associated with the digital lending space and evolving industry regulations. The company has reduced the average lending rates post H1FY25 with changes in the nature of the products and its impact on profitability remains to be seen.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors – Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Improvement in scale of operations while maintaining good asset quality and profitability on a sustained basis.
- Improvement in liability profile.

Negative factors – Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Decline in capitalisation levels with overall gearing of more than 3.5x at consolidated level.
- Assets under management to net worth (AUM/NW) exceeding 5.5x at consolidated level.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications.

- Significant moderation in asset quality leading to decline in profitability with ROMA [profit after tax (PAT)/average total assets (including off book)] reducing below 2.25% on a sustained basis.

Analytical approach: Combined

CARE Ratings Limited (CARE Ratings) has taken a combined approach of KrazyBee and Finnovation, as both the companies are integrated in terms of operations, infrastructure, and resources, including use of the technology platform, which forms the base for KrazyBee's end-to-end credit process. In addition, shareholders are common in both entities holding equivalent proportion.

Outlook: Stable

The stable outlook reflects likely continuation of a stable credit profile with healthy capitalisation levels.

Detailed description of key rating drivers**Key strengths****Benefits derived from technological support by the group company and growth potential led by technology led-business model**

The company commenced operations in 2016 and received non-banking finance company (NBFC) license from the Reserve Bank of India (RBI) in 2017. The company has a fully automated digital lending model, where loans are originated through its mobile application, KreditBee, which is owned by the group company, Finnovation. Owing to its digital origination method, the company has presence across India. Loans are originated and disbursed through the app, KreditBee, which is an integrated in-house technology platform with an interactive user-friendly app and website for facilitating borrowers to apply for loans. Absence of manual intervention in personal loans enables the company to disburse loans to its customers at a faster pace. Reportedly, the turnaround time (TAT) for the entire process is ~15-20 minutes.

In addition, the company also has tie-ups with partner lenders with whom it has end-to-end integration in terms of loan origination, credit underwriting, risk assessment, and collections, among others. Technology and quick access of loans has enabled significant growth for the company.

The overall AUM grew by 65% (y-o-y) from ₹4,644 crore as on March 31, 2023, to ₹7,644 crore as on March 31, 2024, and further grew by 14% in H1FY25 to ₹8,735 crore as on September 30, 2024.

CARE Ratings notes that while technology has demonstrated its capacity for easy growth, the ability of credit models to keep a check on quality of loans sourced and disbursed is still evolving in nature. Also, while the business model is highly scalable, the sustenance of asset quality and expansion in the loan portfolio amid high competition from banks and other financial technology (fintech) companies is yet to be seen.

Comfortable capitalisation levels supported by regular capital raise by company from private equity (PE) investors

Aided by regular capital infusions, the company has been able to maintain healthy capitalisation levels. Since inception, the group has raised ~₹2,100 crore in primary equity infusion. Till FY21, equity funding was raised in the erstwhile parent company, Finnov Private Limited, and eventually infused in the NBFC and technology arm. The Series D investment in FY23 has been made directly in both subsidiaries. The company has strong PE investors such as Premji Invest, Advent International, MUFG Bank, TPG NewQuest Capital, Motilal Oswal Private Equity, and ICICI Bank, among others.

With timely capital infusions, NW (consolidated) stood at ₹2,537 crore as on March 31, 2024, against ₹1,926 crore as on March 31,

2023. Further supported by internal accruals, NW stood at ₹2,705 crore as on September 30, 2024. On a standalone basis, KrazyBee's NW stood at ₹1,980 crore as on March 31, 2024, which further improved to ₹2,072 crore as on September 30, 2024 supported by internal accruals. Capital adequacy ratio (CAR) moderated from 60.2% as on March 31, 2023 to 33.9% as on March 31, 2024 (30.8% as on September 30, 2024) considering increase in risk weighted assets and growth in portfolio. Gearing (consolidated) remains comfortable at 1.1x as on March 31, 2024, against 0.7x as on March 31, 2023 (1.2x as on September 30, 2024). AUM/net worth stood at 3x as on March 31, 2024, against 2.4x as on March 31, 2023 (3.2x as on September 30, 2024). CARE Ratings expects the current capital to support growth that is envisaged by the company in the medium term.

Improved profitability levels

In FY24, the company reported PAT of ₹285 crore on a total income of ₹1,948 crore against PAT of ₹93 crore on a total income of ₹1,268 crore in FY23. The group generates revenue from both interest income on its own book and processing fees from each disbursement (Own book and partner book). Following the new digital lending guidelines, processing fees which was previously collected by Finnovation, are now collected by KrazyBee. Non-interest income (including fee income) comprised ~26% of total income in FY24 (57% in FY23). The decline in share of non-interest income is considering sharing of processing fees with co-lending partners and recognition of a portion of processing fees as part of the interest income. The operating expenses improved to 12.3% in FY24 from 15.7% in FY23. The company reported PPOP of ₹821 crore in FY24 against ₹465 crore in FY23. Supported by an improvement in credit cost to 5.9% in FY24 against 8.4% in FY23, the company reported ROMA of 3.9% in FY24 against 2.3% in FY23.

In H1FY25, the company reported PAT of ₹138 crore on a total income of ₹1,255 crore. The company reported ROMA of 3.0% in H1FY25. The company reported increase in credit cost due to ECL provisioning made on partner book and moderation in asset quality. CARE Ratings takes note of the reduction in the average lending rate undertaken by the company in line with the industry post September 2024. Going forward, control on credit costs and operational expenses becomes critical in maintaining the current profitability levels. The company's ability to maintain the profitability levels will remain a key rating sensitivity.

Key weaknesses

Moderate track record of operations with significant growth witnessed in last two years

Krazybee offers unsecured personal loans to young professionals which are disbursed through its own book and through co-lending partners. The co-lending book comprised ~38% of the AUM as on September 30, 2024 (48% as on March 31, 2023). The personal loan business is evolving in nature, with changes in ticket sizes and tenure. In FY24, the company also introduced business loans and secured loans -loans against property (LAP), which together currently comprises ~7% of the overall book.

Overall disbursements have grown at 49% y-o-y ₹13,953 crore in FY23 to ₹20,738 crore in FY24. Disbursement in H1FY25 stood at ₹11,998 crore. Overall, AUM grew from ₹4,644 crore as on March 31, 2023, to ₹7,644 crore as on March 31, 2024, resulting in growth of 65% (y-o-y). AUM grew by 14% in H1FY25 and stood at ₹8,735 crore as on September 30, 2024. CARE Ratings expects the growth rate to remain at a lower rate compared to earlier years.

Moderate asset quality metrics

With presence majorly in the unsecured personal loan segment, asset quality remains moderate with credit costs remaining higher. The company has an aggressive write-off policy of writing off at 180+ days past due (dpd). With continued write-offs, the asset quality remained stable with gross non-performing assets (GNPA) and net NPA (NNPA) at 2.3% and 0.7%, respectively, as on March 31, 2024 (PY: 2.3% and 0.9% as on March 31, 2023). Asset quality has moderated in H1FY25 in line with the industry trend and GNPA and NNPA stood at 3.4% and 1.0% as on September 30, 2024. Provision coverage stood at 72% as on March 31, 2024, compared to 63% as on March 31, 2023 (70% as on September 30, 2024). Credit cost remained high for the company due to

inherent risks associated with exposure to unsecured loan segment. CARE Ratings notes that the company has tweaked its credit underwriting and has reduced its exposure to new to credit customers. Also, with increase in the average ticket size and tenor of the loans, the company is expected to offer loans to better quality customers. The impact of these changes on the asset quality and in turn credit costs remains to be seen.

On managed assets, credit cost stood at 5.9% in FY24 against 8.4% in FY23 (8.2% in H1FY25). On overall AUM, 0+ dpd stood at 5.8% as on March 31, 2024, against 5.7% as on March 31, 2023. 0+ DPD moderated to 6.6% as on September 30, 2024.

Moderate resource profile with improvement in proportion of bank funding

Major funding continues to be by way of non-convertible debentures (NCDs). On the total borrowings, share of NCDs stood at 39% as on November 30, 2024 (37% as on March 31, 2024). CARE Ratings notes that share of bank funding increased from 23% as on March 31, 2024, and stood at 34% as on November 30, 2024, while share of term loan from NBFCs reduced to 20% as on November 30, 2024 against 27% as on March 31, 2024. PTC (5%), CP (2%), constitutes the remaining portion of the resource profile as on November 30, 2024.

The company's ability to further improve its resource profile is critical for its future growth prospects.

Regulatory risk related to digital lending space

Ratings also take note of the regulatory risk associated with entities operating in digital lending, as regulations are still evolving. Digital lending gaining momentum and size, and evolving industry regulations expose the industry to regulatory risk. The RBI circular on risk-weighted assets of consumer loans had an impact on risk-weighted assets of NBFCs lending to the unsecured segment. The recent action by RBI against entities in unsecured space is expected to impact growth rates and yields for the companies operating in this asset class.

Liquidity: Adequate

KrazyBee's asset liability maturity (ALM) stood adequate, with no negative cumulative mismatches in of the time buckets up to one year as on September 30, 2024, due to the relatively short nature of its loans against longer tenure of its borrowings. As on September 30, 2024, the company had cash and equivalents of ₹1,093 crore.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Short Term Instruments](#)

[Non Banking Financial Companies](#)

About the company and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Non-banking financial company (NBFC)

KrazyBee was incorporated on March 16, 2016, and received its NBFC license from the RBI in May 2017. The company provides unsecured personal loans up to ₹400,000 for a maximum period of 48 months. The company commenced operations in June 2017 and moved into offering unsecured loans to young professionals in April 2018 under brand 'KreditBee'. The average ticket size for

unsecured personal loans is ~₹22,000. Apart from lending through the NBFC 'KrazyBee', the company also does co-lending with partners. The company's overall AUM (including co-lending) stood at ₹7,644 crore as on March 31, 2024 (₹8,735 crore as on September 30, 2024). KrazyBee NBFC has its own book loan portfolio of ₹4,742 crore as on March 31, 2024 (₹5,453 crore as on September 30, 2024).

Brief Financials – Combined (₹ Crore)	FY23 (A)	FY24(UA)	H1FY25 (UA)
Total operating income	1,268	1,948	1,255
PAT	93	285	138
Interest coverage (times)	1.7	2.6	2.1
Total assets	3,361	5,578	6,376
Net NPA/stage III (%)	0.9	0.7	1.1
ROMA (%)	2.4	3.9	3.0

A: Audited; UA: Unaudited. Note: These are latest available financial results.

ROMA: PAT/average total assets (including off-book).

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Commercial paper- Commercial paper (standalone)	Proposed	-	-	-	300.00	CARE A1
Fund-based-Long term	-	-	-	October, 2025	400.00	CARE A-; Stable
Non-convertible debenture-I	INE07HK07718	April 19, 2024	12.50	October 19, 2025	32.95	CARE A-; Stable
Non-convertible debenture-I	INE07HK07726	April 26, 2024	9.84	July 26, 2025	100.00	CARE A-; Stable
Non-convertible debenture-I	INE07HK07726	May 27, 2024	9.84	July 26, 2025	55.00	CARE A-; Stable
Non-convertible debenture-II						
Non-convertible debenture-II	INE07HK07718	August 26, 2024	12.50	October 19, 2025	50.00	CARE A-; Stable

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Non-convertible debenture-II	Proposed	-	-	-	12.05	CARE A-; Stable
Non-convertible debenture-III	Proposed	-	-	-	300.00	CARE A-; Stable
Non-convertible debenture-IV	Proposed	-	-	-	400.00	CARE A-; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Commercial paper- Commercial paper (Standalone)	ST	300.00	CARE A1	1)CARE A1 (09-Jan-25) 2)CARE A1 (05-Jul-24) 3)CARE A1 (16-May-24) 4)CARE A1 (18-Apr-24) 5)CARE A1 (04-Apr-24)	1)CARE A1 (12-Feb-24) 2)CARE A1 (27-Dec-23)	-	-
2	Fund-based-Long term	LT	400.00	CARE A-; Stable	1)CARE A-; Stable (09-Jan-25) 2)CARE A-; Stable (05-Jul-24)	1)CARE A-; Stable (12-Feb-24)	-	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
					3)CARE A- ; Stable (16-May-24) 4)CARE A- ; Stable (18-Apr-24) 5)CARE A- ; Stable (04-Apr-24)			
3	Debentures-Non-convertible debentures	LT	150.00	CARE A-; Stable	1)CARE A- ; Stable (09-Jan-25) 2)CARE A- ; Stable (05-Jul-24) 3)CARE A- ; Stable (16-May-24) 4)CARE A- ; Stable (18-Apr-24) 5)CARE A- ; Stable (04-Apr-24)	-	-	-
4	Debentures-Non-convertible debentures	LT	100.00	CARE A-; Stable	1)CARE A- ; Stable (09-Jan-25) 2)CARE A- ; Stable (05-Jul-24)	-	-	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
					3)CARE A- ; Stable (16-May-24)			
5	Debentures-Non-convertible debentures	LT	300.00	CARE A-; Stable	1)CARE A- ; Stable (09-Jan-25)	-	-	-
6	Debentures-Non-convertible debentures	LT	400.00	CARE A-; Stable				

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial paper-Commercial paper (Standalone)	Simple
2	Debentures-Non-convertible debentures	Simple
3	Fund-based-Long term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarification.

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About us:

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