



Press Release

Krazybee Services Private Limited (KSPL)

August 18, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Proposed Non-Convertible Debentures	100.00	IVR BBB / Positive Outlook [IVR Triple B with Positive Outlook]
	Total	100.00	

Details of Facilities are in Annexure 1

Rating Rationale

The Ratings derive comfort from experienced management, strategic linkages with group Companies, diverse borrowing profile and viable technology-based business model. The Ratings also takes into account the improvement in profitability primarily supported by increase in scale of operations as well as a strong capitalization supported by regular equity infusion. However, these strengths are partially offset by a limited track record of operations, moderate NPA profile and geographical concentration of the loan portfolio.

The positive outlook reflects the expected overall improvement in the operational & financial profile.

Key Rating Sensitivities

Upward Factor

- Sustained improvement in the asset quality metrics as well as the earnings profile along with the portfolio scale up.



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Downward Factor

- Any substantial deterioration in the asset quality and/or the earnings profile of the company.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced management team:

KSPL is subsidiary of Singapore based Finnov Pvt Ltd and a Systematically Important, Non-Deposit Taking NBFC. The group was founded by Mr. Madhusudan Ekambaram, Mr Karthikeyan Krishnaswamy and Mr. Vivek Veda. The promoters are well experienced in the areas of finance, technology, project management, operations, and sales. The promoters are supported by a strong management team consist of experienced professionals across various areas such as risk management, finance, data science, quantitative analysis and digital marketing.

Strategic linkages with group companies:

KSPL provides unsecured personal loans to young professionals, college students and self-employed segment with an average TAT of around 15 to 20 minutes through a Digital Fintech based platforms which includes mobile applications 'KrazyBee', 'KreditBee' and 'KreditZy'. This online platforms are owned by KSPL's group companies namely, Finnovation Tech Solutions Private Limited and Kartbee Technologies Private Limited.

Diverse borrowing profile:

Company has credit facilities availed from multiple lenders which includes Banks, NBFC's and FIs with a borrowing mix of Term Loans, NCD's and ODs. The facilities sanctioned by the lenders not only demonstrated the Company's strength & ability to qualify multiple risk models of borrowing but also won trust among lenders community and proved its credit worthiness. Going forward, the ability of the company to further diversify their resource profile and raise funds at competitive interest rates would remain critical for profitability of the company & expansion of operations.



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Viable Technology-Based Business Model:

KSPL has adopted a branchless business model with most of the operations from sourcing to evaluation happening online through Mobile applications. KSPL's advanced technological platform has around 7,000+ checks to be conducted on the customer through basic data like CIBIL scores, PAN validation, etc. and alternative data with the help of Social media profile and other information provided by the customer. This technology oriented model supports the entity's ability to scale up its portfolio with limited incremental investment. As a result, the assets under management (AUM) has grown to Rs 957.47 Crs as on March 31, 2020 compared to Rs 245.06 Crs as on March 31, 2019. Given the branchless mode of operations, KSPL has achieved Pan India presence.

Improvement in profitability primarily supported by increase in scale of operations:

On account of initial stage of operations, the company reported net loss during FY18. The performance of the Company has improved substantially on account of increase in scale of operations, where, the company has reported a total operating income of Rs. 58.74 Crs and Rs. 401.41 Crs in FY19 and FY20 respectively along with net profit margin of 14.13% and 10.61% respectively for the same fiscals. Given the digital platform being adopted by the Company, incremental operating costs are expected to remain controlled. Nevertheless, due to the stringent provisioning policy, the earnings profile remains limited by credit costs.

Strong capitalization supported by regular equity infusion:

The company has been able to mobilize equity funds despite being in the initial stage of operations due to which the capitalization level is comfortable although the loan portfolio has been growing steadily at higher rate. The Tangible Net Worth of the Company as on March 31, 2020 stands at Rs. 306.11 Crs vis-à-vis Rs.229.18 Crs as on March 31, 2019. During the year FY20, the Company received an equity infusion of ~Rs. 34.93 Crs. The group is also planning for further raising equity to the tune of ~Rs. 300 Crs during the current financial year to strengthen the equity base.

Capital adequacy ratio (CAR) of the company stood at 29.35% and Tier I CAR stood at 29% as on March 31, 2020. Capitalization is expected to remain comfortable over the medium term, supported by regular capital raising and association with reputed investors.



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Key Rating Weaknesses

Limited track record of operations:

The company commenced its operations in June 2017 and substantially scaled up its portfolio in fiscal 2019 and 2020. While the company is one of the early entrants in this space of digital platform. The ability to significantly scale up the portfolio while managing credit costs and operating expenses will be a key monitorable.

Moderate NPA Profile:

The gross and net NPAs stood at 5.69% and 2.92%, respectively, as on March 31, 2020 as against 2.95% and 1.49%, respectively, as on March 31, 2019. The rise in delinquencies was driven by current industry environment and lower seasoning of loans. Majority of the portfolio growth occurred during the past 12-18 months and the entire lending is unsecured.

Geographical concentration:

The portfolio of the Company is concentrated to 5 states namely Andhra Pradesh, Maharashtra, Karnataka, Tamil Nadu & Telangana with total concentration at ~55% as on March 2020.

Analytical Approach: Standalone

Applicable Criteria:

Rating methodology for Non-Banking Finance companies
Financial ratios and Interpretation (Financial Sector)

Liquidity: Adequate

The liquidity profile of the Company remains adequate with positive cumulative mismatches across buckets as per ALM statement as on March 31, 2020, due to favorable asset maturity profile. Moreover, the cash and cash equivalents as on March 31, 2020 was at Rs. 100.26 Crs (including restricted amount of Rs. 4.36 Crs). The liquidity is further supported by a liquid investment of Rs. 25.00 Crs in Mutual Fund as on FY20.

Also, considering the Covid-19 situation, the company maintains sufficient liquidity in the form of Cash, Bank Balance and lien free FDs to the tune of ~Rs. 220 Crs.



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About the Company

Krazybee Services Pvt Ltd was incorporated in March 2016 and commenced its lending operations in June 2017. The Company has its registered office situated in Bangalore and is a Systematically Important, Non-Deposit Taking NBFC.

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	58.74	401.41
Interest Cost	2.70	58.73
PAT	8.30	41.97
Total Debt	124.96	790.08
Tangible Networkth	229.18	306.11
Total Loan Assets	245.06	957.47
Ratios		
PAT Margin (%)	14.13	10.61
Overall Gearing Ratio (x)	0.55	2.58
Total CAR (%)	81.09	29.35
Gross NPA (%)	2.95	5.69
Net NPA (%)	1.49	2.92

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Proposed Non-Convertible Debentures	Long Term	100.00	IVR BBB / Positive Outlook	--	--	--



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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed Non-Convertible Debentures	--	--	--	100.00	IVR BBB / Positive Outlook