

September 29, 2025

Spandana Sphoorty Financial Limited: Rating confirmed as final for PTCs backed by microfinance loan receivables issued by Jupiter 2025

Summary of rating action

| Trust name | Instrument* | Current rated amount (Rs. crore) | Rating action |
|--------------|---------------|-------------------------------------|---|
| Jupiter 2025 | PTC Series A1 | 57.50 | [ICRA]A+(SO); provisional rating confirmed as final |

*Instrument details are provided in Annexure I

Rationale

In August 2025, ICRA had assigned Provisional [ICRA]A+(SO) rating to Pass Through Certificate (PTC) Series A1 issued by Jupiter 2025. The PTCs are backed by microfinance loan receivables originated by Spandana Sphoorty Financial Limited {(SSFL/Originator; rated [ICRA]BBB+(Negative))} with an aggregate principal outstanding of Rs. 62.84 crore (pool receivables of Rs. 74.38 crore). SSFL is also the servicer of the rated transaction.

Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said ratings have now been confirmed as final.

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. The residual cash flows available after making the promised and expected payments shall be passed on to the PTC investors on every payout date. Any prepayment in the pool would be used for the prepayment of the PTC Series A1 principal. The transaction has defined certain trigger events, on the occurrence of which the residual cash flows would be passed on to the PTC Series A1 investors.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 7.00% of the initial pool principal, amounting to Rs. 4.40 crore, to be provided by the Originator, (ii) principal subordination of 8.50% of the initial pool principal for PTC Series A1 and (iii) the excess interest spread (EIS) of 12.20% of the initial pool principal for PTC Series A1.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 13,775 contracts, with no contract exceeding 0.01% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, subordination and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

No overdue contracts in the pool- The pool has been filtered in such a manner that there are no overdue contracts.

Seasoned contracts in the pool – The pool has amortised by almost ~30% as on the cut-off date with no delinquencies seen in any of the contracts, post loan disbursement, thereby reflecting the borrowers' relatively better credit profile.

Adequate servicing capability of the originator – The originator has adequate processes for servicing of the loan accounts in the securitised pool. It has a demonstrated track record of over a decade of regular collections across multiple geographies.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Odisha, Maharashtra and Madhya Pradesh contributing ~53% to the initial pool principal amount. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc. Nonetheless, the contracts are well-diversified across multiple districts with the top 10 districts constituting around 20% of the initial pool amount, which alleviates the concentration risk to some extent.

Risks associated with lending business – The pool performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans. The performance of microfinance loans would also be exposed to political and communal risks.

Increasing delinquencies in microfinance sector – The microfinance sector has seen a decline in collections and consequently rise in delinquencies since the previous fiscal on account of multiple factors like heat wave, general elections, borrower overleveraging and attrition in collection teams. Any sustained impact of these factors on the collections from the pool would be monitorable.

Key rating assumptions

ICRA's cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 5.00% of the pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 3% to 9% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

Details of key counterparties

The key counterparties in the rated transaction are as follows:

| Transaction Name | Jupiter 2025 |
|------------------------------------|---|
| Originator | Spandana Sphoorty Financial Limited |
| Servicer | Spandana Sphoorty Financial Limited |
| Trustee | Mitcon Credentia Trusteeship Services Limited |
| CC holding bank | ICICI Bank Limited |
| Collection and payout account bank | ICICI Bank Limited |

Liquidity position: Strong

The liquidity for the PTC instrument in the transaction is strong after factoring in the credit enhancement available to meet the promised payouts to the investors. The total credit enhancement would be 4.5 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and an increase in the cover available for future investor payouts from the credit enhancement would result in a rating upgrade.

Negative factors – The sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer (Spandana) could also exert pressure on the rating.

Analytical approach

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

| Analytical Approach | Comments |
|---------------------------------|--|
| Applicable rating methodologies | Rating Methodology for Securitisation Transactions |
| Parent/Group support | Not applicable |
| Consolidation/Standalone | Not applicable |

About the originator

Spandana Sphoorty Financial Limited was incorporated in 2003 as a non-banking financial company. It took over the microfinance operations of Spandana, a non-Governmental organisation started by Ms. Padmaja Reddy in 1998. The company was classified as an NBFC-microfinance institution (NBFC-MFI) in 2015. Following the microfinance crisis in Andhra Pradesh, the company entered into a master restructuring agreement (MRA) as part of the corporate debt restructuring (CDR) with its lenders in September 2011. It exited the CDR in April 2017 after an equity investment led by Kedaara Capital Investment Managers Limited (Kedaara Capital) and fresh funding from three banks. SSFL completed its initial public offering (IPO) in August 2019. The current leadership team is headed by Mr. Ashish Damani as the interim Chief Executive Officer. The company has a nine-member board of directors, including five independent directors.

Key financial indicators (standalone)

| SSFL | FY2024 | FY2025 | Q1 FY2026 |
|----------------------|----------|---------|-----------|
| Total income | 2,386.7 | 2,245.2 | 264.2 |
| PAT | 467.9 | (956.7) | (328.9) |
| Total managed assets | 13,852.4 | 9,040.3 | 7,086.9 |
| Gross stage 3 | 1.6% | 4.9% | 4.9% |
| CRAR | 32.0% | 36.3% | 36.9% |

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

| Trust name | Instrument | Current rating (FY2026) | | Chronology of rating history for the past 3 years | | | |
|--------------|---------------|----------------------------------|----------------------------------|---|--------------------------|-------------------------|-------------------------|
| | | Initial rated amount (Rs. crore) | Current rated amount (Rs. crore) | Date & rating in FY2026 | | Date & rating in FY2025 | Date & rating in FY2024 |
| | | | | Sep 29, 2025 | Aug 18, 2025 | | |
| Jupiter 2025 | PTC Series A1 | 57.50 | 57.50 | [ICRA]A+(SO) | Provisional [ICRA]A+(SO) | - | - |

Complexity level of the rated instrument

| Instrument | Complexity Indicator |
|---------------|----------------------|
| PTC Series A1 | Moderately Complex |

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

| Trust name | Instrument name | Date of issuance/ Sanction | Coupon rate (p.a.p.m.) | Maturity date | Amount rated (Rs. crore) | Current rating |
|---------------------|-----------------|-------------------------------|---------------------------|----------------|-----------------------------|----------------|
| Jupiter 2025 | PTC Series A1 | August 13, 2025 | 10.50% | April 24, 2027 | 57.50 | [ICRA]A+(SO) |

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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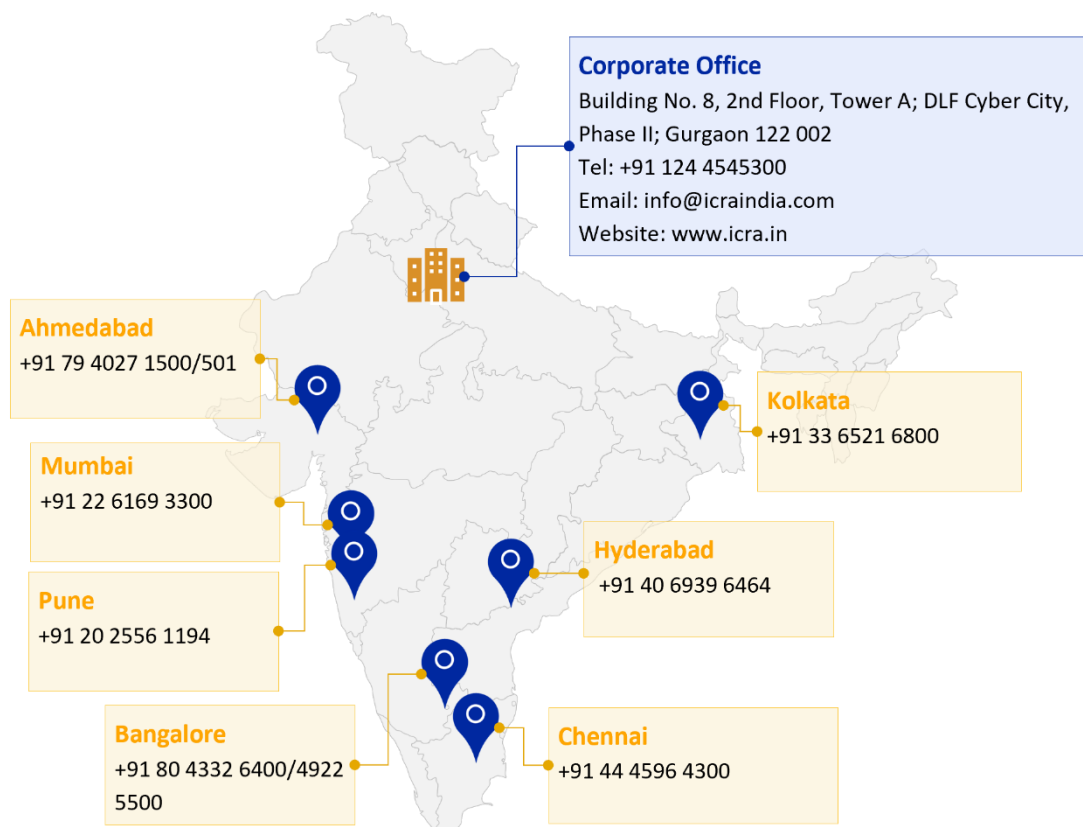


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