

October 03, 2025

Spandana Sphoorty Financial Limited: Provisional [ICRA]AA-(SO) assigned to PTC Series A1 and Provisional [ICRA]A-(SO) assigned to PTC Series A2 issued by Pueblo 09 2025, backed by a pool of microfinance loans

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
Pueblo 09 2025	PTC Series A1	51.80	Provisional [ICRA]AA-(SO); assigned
	PTC Series A2	2.33	Provisional [ICRA]A-(SO); assigned

*Instrument details are provided in Annexure I

Rating in the absence of pending actions/documents	No ratings would have been assigned as it would not be meaningful
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Rationale

The pass-through certificates (PTCs) are backed by a pool of microfinance loan receivables originated by Spandana Sphoorty Financial Limited ({SSFL/Originator; rated [ICRA]BBB+(Negative)}) with an aggregate principal outstanding of Rs. 58.20 crore (pool receivables of Rs. 68.07 crore). SSFL would be acting as the servicer for the transaction.

The provisional ratings are based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the structure as well as the integrity of the legal structure. The provisional ratings are subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

Transaction structure

As per the transaction structure, PTC Series A2 payouts are completely subordinated to PTC Series A1. The collections from the pool, after making the promised interest payouts to PTC Series A1, will be used to make the expected principal payouts to PTC Series A1, followed by the expected interest payout to PTC Series A2. The entire principal repayment to PTC Series A1 is promised on the scheduled maturity date. Post the maturity of PTC Series A1, interest payouts will be promised to PTC Series A2 and all excess cash flows, after meeting the promised interest PTC Series A2 payouts, will be passed on for the expected PTC Series A2 principal payout. The entire principal repayment to PTC Series A2 is promised on the scheduled maturity date. The EIS available after meeting the expected and promised PTC payments will be passed on to the originator (in case there are no EIS trigger events), in case of an EIS trigger event, the EIS available will be used for accelerated redemption of PTC Series A1 (until PTC Series A1 are outstanding) and post that for redemption of PTC Series A2. Any prepayment in the pool would be used for the prepayment of PTC Series A1 first and post redemption of PTC Series A1 it will for prepayment of PTC Series A2. The final maturity date for PTC Series A1 and PTC Series A2 is 17th June 2027.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 7.00% of the pool principal to be provided by the Originator, (ii) subordination of 11.00% of the pool principal for PTC Series A1 and subordination of 7.00% of the pool principal for PTC Series A2, (iii) EIS of 11.68% of the pool principal for PTC Series A1 and EIS of 11.11% of the pool principal for PTC Series A2

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 15,354 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 ~32% 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. West Bengal, Madhya Pradesh and Odisha contributing ~56% 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.

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 5.50% 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.

Liquidity position

The liquidity for the PTC Series A1 and PTC Series A2 instruments in the transaction is strong after factoring in the credit enhancement available to meet the promised payouts to the investors. The total credit enhancement for PTC Series A1 and PTC Series A2 would be 4.75 times and 3.75 times the estimated loss in the pool respectively.

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 ratings 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 ratings downgrade. Weakening in the credit profile of the servicer (Spandana) could also exert pressure on the ratings.

Analytical approach

The rating action is based on the analysis of the performance of SSFL's microfinance loan portfolio till June 2025, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

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

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into final upon the execution of:

1. Trust deed
2. Power of Attorney
3. Accounts Agreement
4. Assignment agreement
5. Servicing Agreement
6. Legal opinion
7. Trustee letter
8. KYC Chartered Accountant's certificate
9. Any other documents executed for the transaction

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

About the originator

Spandana Sphoorty Financial Limited (SSFL) was incorporated in 2003 as a non-banking financial company (NBFC) and 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 (AP), the company entered into a master restructuring agreement (MRA) as a 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 10-member board of directors, including five independent directors.

Key financial indicators

SSFL (standalone)	FY2024	FY2025	Q1FY2026
Total income	2,386.7	2,245.2	264.2
Profit after tax	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		
		Amount Rated (Rs. crore)	Date & Rating in FY2026	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023
			October 03, 2025	-	-	-
Pueblo 09 2025	PTC Series A1	51.80	Provisional [ICRA]AA-(SO)	-	-	-
	PTC Series A2	2.33	Provisional [ICRA]A-(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A1	Moderately Complex
PTC Series A2	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
Pueblo 09 2025	PTC Series A1	September 30, 2025	10.00%	June 17, 2027	51.80	Provisional [ICRA]AA-(SO)
	PTC Series A2		12.00%		2.33	Provisional [ICRA]A-(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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ABOUT ICRA LIMITED

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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