

February 16, 2026

Spandana Sphoorty Financial Limited: Rating reaffirmed for PTCs issued under microfinance loan receivables securitisation transaction

Summary of rating action

| Trust Name | Instrument* | Initial Amount Rated (Rs. crore) | Amount O/s after last surveillance (Rs. crore) | Current Amount Rated (Rs. crore) | Rating Action |
|------------------|---------------|----------------------------------|--|----------------------------------|---------------------------|
| Cartera MFI 2025 | PTC Series A1 | 38.90 | NA | 6.19 | [ICRA]AA-(SO); reaffirmed |

*Instrument details are provided in Annexure I

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)}. SSFL is also the servicer for the rated transaction.

The rating has been reaffirmed on account of the build-up of the credit enhancement cover over the future PTC payouts. The rating draws comfort from the fact that the breakeven collection efficiency is comfortable compared to the actual collection levels observed in the pool till the January 2026 payout month.

Pool performance summary

| Parameter | Cartera MFI 2025 |
|--|------------------|
| Payout month | January 2026 |
| Months post securitisation | 11 |
| Pool amortisation | 79.5% |
| PTC Series A1 amortisation | 84.1% |
| Cumulative collection efficiency ¹ | 90.5% |
| Loss-cum-30+ days past due (dpd ² ; % of initial pool) | 11.0% |
| Loss-cum-90+ dpd ³ (% of initial pool) | 10.0% |
| Cumulative CC utilisation | 0.0% |
| CC available (as % of balance pool) | 34.2% |
| Excess interest spread (EIS ⁴ ; % of balance pool): PTC Series A1 | 5.0% |
| Principal subordination (% of balance pool): PTC Series A1 | 28.8% |
| Breakeven collection efficiency ⁵ : PTC Series A1 | 35.9% |

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 from the pool, after meeting the promised and expected payouts, will be flow back to the originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of the PTC Series A1 principal.

¹ (Cumulative current and overdue collections till date)/(Cumulative billing till date + Opening overdues at the start of the transaction)

² Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 30 days, as a % of Initial pool principal

³ Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 90 days, as a % of Initial pool principal

⁴ (Pool cash flows – Cash flows to PTC investors – Originator's residual share)/Pool principal outstanding

⁵ (Balance cash flows payable to investor – CC available)/Balance pool cash flows

Key rating drivers and their description

Credit strengths

Build-up of credit enhancement – The rating factors in the build-up in the credit enhancement with the subordination increasing to 28.8% of the balance pool principal from 8.5% at the time of securitisation. Credit support is also available through cash collateral (CC) of 34.2% and excess interest spread (EIS) of 5.0% of the balance pool principal.

Adequate servicing capability of the originator – The company 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 and recovery across multiple geographies.

Credit challenges

Higher than expected delinquencies in the pool - The pool has seen higher delinquency than ICRA expectations. While there has been some slowdown in roll forward in softer delinquency buckets in recent months, there has been a buildup in delinquencies in harder buckets with loss cum 90+ dpd at ~10.0% as on Jan-26 payout. The collections from the delinquent contracts have been lower, which is expected given the unsecured nature of the loans in the pool. Further, while the monthly collection efficiency in the pool has seen a dip, it is higher than the break-even collection efficiency for the PTCs, which is comforting.

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 their tenure at 4.25% of the initial pool principal with certain variability around it. The average prepayment rate for the pool is modelled in the range of 3.0% to 9.0% 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 | Cartera MFI 2025 |
|------------------------------------|------------------------------|
| Originator | SSFL |
| Servicer | SSFL |
| Trustee | Catalyst Trusteeship Limited |
| CC holding bank | SBM Bank (India) Limited |
| Collection and payout account bank | SBM Bank (India) Limited |

Liquidity position: Strong

The liquidity for the PTC instrument is strong after factoring in the credit enhancement available to meet the promised payouts to the investors. The total credit enhancement is 3.25 times the estimated loss in the pool.

Rating sensitivities

Positive/Negative factors – Rating is unlikely to be revised as the given the shorter expected balance tenure of the PTCs.

Analytical approach

The rating action is based on the performance of the pool till the January 2026 payout month (December 2025 collection month), the present delinquency profile of the pool, the credit enhancement available in the pool, and the performance expected over the balance tenure of the pool.

| 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.

Key financial indicators (audited)

| SSFL (standalone) | FY2024 | FY2025 | H1FY2026 |
|----------------------|----------|---------|----------|
| Total income | 2,386.7 | 2,245.2 | 472.1 |
| Profit after tax | 467.9 | (956.7) | (547.0) |
| Total managed assets | 13,852.4 | 9,040.3 | 5,950.0 |
| Gross Stage 3 (%) | 1.6% | 4.9% | 5.0% |
| CRAR | 32.0% | 36.3% | 36.5% |

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Trust name | Current rating (FY2026) | | | | Chronology of rating history for the past 3 years | | | |
|------------------|-------------------------|----------------------------------|----------------------------------|-------------------------|---|---------------------------|-------------------------|-------------------------|
| | Instrument | Initial amount rated (Rs. crore) | Current amount rated (Rs. crore) | Date & rating in FY2026 | Date & rating in FY2025 | | Date & rating in FY2024 | Date & rating in FY2023 |
| | | | | February 16, 2026 | February 20, 2025 | February 13, 2025 | - | - |
| Cartera MFI 2025 | PTC Series A1 | 38.90 | 6.19 | [ICRA]AA-(SO) | [ICRA]AA-(SO) | Provisional [ICRA]AA-(SO) | - | - |

Complexity level of the rated instrument

| Instrument | Complexity Indicator |
|---------------|----------------------|
| PTC Series A1 | Highly 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

| ISIN | Trust Name | Instrument Type | Date of Issuance | Coupon Rate (p.a.p.m.) | Maturity Date | Amount Rated (Rs. crore) | Current Rating |
|--------------|------------------|-----------------|-------------------|------------------------|------------------|--------------------------|----------------|
| INE1M7715013 | Cartera MFI 2025 | PTC Series A1 | February 13, 2025 | 9.80% | October 17, 2026 | 6.19 | [ICRA]AA-(SO) |

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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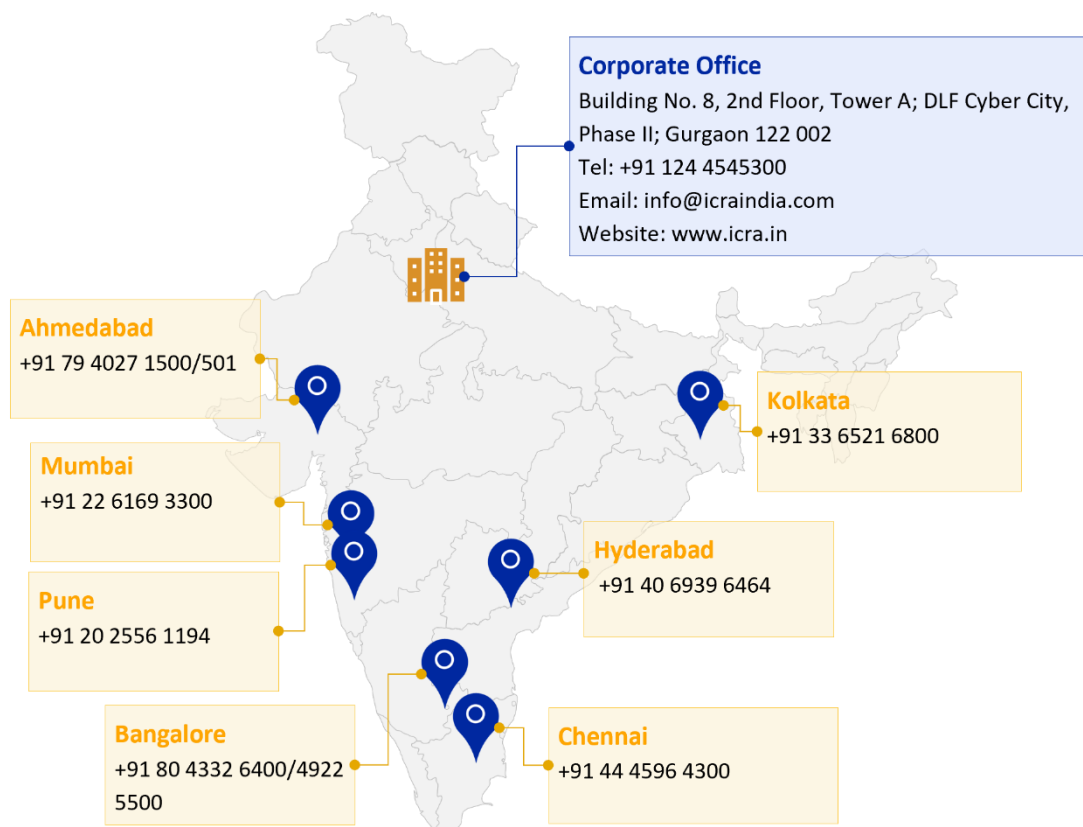


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