

April 24, 2026

Spandana Sphoorty Financial Limited: Rating reaffirmed; assigned for fresh NCDs

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term fund based – Term loan	1,000.00	1,000.00	[ICRA]BBB+ (Negative); reaffirmed
	1,105.00	0.00	[ICRA]BBB+ (Negative); reaffirmed and withdrawn
Non-convertible debentures	323.00	323.00	[ICRA]BBB+ (Negative); reaffirmed
	100.00	0.00	[ICRA]BBB+ (Negative); reaffirmed and withdrawn
	-	200.00	[ICRA]BBB+ (Negative); assigned
Total	2,528.00	1,523.00	

* Instrument details are provided in Annexure II

Rationale

The rating reaffirmation and Negative outlook take into consideration Spandana Sphoorty Financial Limited's (SSFL) weak profitability due to significant asset quality pressure and subdued operating efficiency. The company's scale of operations declined significantly over the last two years, with its consolidated assets under management (AUM) decreasing to Rs. 3,948 crore as of December 2025 from Rs. 11,973 crore as of March 2024, as it restricted its disbursements due to asset quality issues. This resulted in the weakening of its operating efficiency with the cost-to-income ratio¹ (C-to-I ratio) increasing to 157.5% in 9M FY2026 from 62.1% in FY2025. SSFL is expected to steadily improve its disbursements over the next few quarters, which would help augment its scale and optimise its operating expenses. Nevertheless, ICRA expects the company's C-to-I ratio to remain elevated in the near term, impacting the overall profitability. Further, keeping forward flows at low levels and achieving recoveries from the overdue books would be key for controlling the credit costs. This will remain monitorable.

SSFL's consolidated gross stage 3 was 4.2% as of December 2025 and 5.6% as of March 2025 (1.7% as of March 2024), while its 30+ days past due (dpd) delinquencies stood elevated at 6.0% and 14.8% as of December 2025 and March 2025, respectively, compared to 3.0% as of March 2024. In addition, the company wrote off Rs. 1,274 crore (Rs. 1,155 crore on a standalone basis) of delinquent accounts in 9M FY2026 and Rs. 1,618 crore (Rs. 1,555 crore on a standalone basis) in FY2025. Credit costs (as a percentage of average managed assets) stood at 12.1% in 9M FY2026 and 16.5% in FY2025 on a consolidated basis, resulting in a sizeable net loss of 11.6% (annualised; on average managed assets) in 9M FY2026 and 8.6% in FY2025 (net loss of 10.9% in 9M FY2026 and 8.4% in FY2025 on a standalone basis).

The losses led to a significant reduction in the company's capital base, though it remains comfortable given the augmentation via the rights issue in July 2025 (partly paid to the extent of Rs. 200 crore out of the Rs. 400-crore issue with SSFL having the right to make a capital call for the balance amount before March 2027) as well as the lower scale of operations. The managed gearing (consolidated) was 1.9 times as of December 2025 and 2.3 times as of March 2025 (2.8 times as of March 2024), providing adequate buffer for the weak earnings expected in the near term. On January 10, 2026, SSFL informed the stock exchanges that its board of directors has given in-principle approval for the proposed merger of its subsidiary, Criss Financial Limited (CFL; 99.92% stake held by SSFL), with the parent company. ICRA notes that the merger is not expected to materially impact the company's credit profile, given that the assessment already factors in the consolidated profile of SSFL and CFL.

¹ Operating cost/Net interest income

ICRA also notes that non-convertible debentures (NCDs) outstanding of Rs. 2.1 crore were in breach of various covenants (related to net worth and quarterly profitability) as of December 2025². Further, term loans of Rs. 41 crore had breaches in the covenants, of which Rs. 27 crore received a waiver approval while no repayment has been requested for the rest. SSFL has been maintaining adequate liquidity with unencumbered cash and cash equivalents of Rs. 1,079 crore as of December 2025 on a standalone basis.

ICRA has reaffirmed and withdrawn the long-term rating on the Rs. 100.00-crore NCDs, as the instruments have matured and have been fully repaid, and on the Rs. 1,105.00-crore long-term fund-based term loans (unallocated) at the request of the company. The rating has been withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings.

Key rating drivers and their description

Credit strengths

Comfortable capitalisation profile – On a consolidated basis, the managed gearing was comfortable at 1.9 times as of December 2025, reducing from 2.3 times as of March 2025 and 2.8 times as of March 2024 due to the decline in the AUM during FY2025-9M FY2026. Disbursements remained muted during this period due to asset quality pressure. However, the AUM is expected to improve as SSFL has started scaling up disbursements. The recent losses resulted in a significant reduction in the capital base, though it remains comfortable given the augmentation via the rights issue in July 2025 (partly paid to the extent of Rs. 200 crore out of the total issue of Rs. 400 crore with SSFL having the right to make a capital call for the balance amount before March 2027) as well as the lower scale of operations.

ICRA notes that SSFL's Tier I capital (Rs. 817 crore) as of December 2025 is significantly below its net worth due to deductions (Rs. 1,418 crore) primarily related to deferred tax, credit enhancement for pass-through certificates (PTCs) and investments/loans related to CFL. SSFL's capital adequacy ratio stood at 30.4% as of December 2025 (36.3% as of March 2025).

Diversified geographical presence – SSFL's consolidated AUM stood at Rs. 3,948 crore as of December 2025 compared to Rs. 6,819 crore as of March 2025 (Rs. 11,973 crore as of March 2024), catering to 12.9 lakh active borrowers through a network of 1,667 branches across 20 states and Union Territories. Its portfolio remains fairly diversified with no state accounting for more than 15% of the portfolio (standalone basis). The top 5 states (standalone basis) accounted for 60% of the portfolio as of December 2025 (59% as of March 2025). As of December 2025, its largest state, Madhya Pradesh, accounted for 14.7% of the standalone AUM, followed by Bihar (12.7%), Odisha (12.6%), Andhra Pradesh (11.4%) and West Bengal (8.3%). SSFL has identified certain states, where it would scale down its presence while strengthening its presence in others.

Credit challenges

Pressure on asset quality; risks associated with microfinance business – SSFL's collections were significantly impacted during FY2025-H1 FY2026 by multiple factors, including over-indebtedness of borrowers, elevated field attrition, sociopolitical disruptions, its transition to the weekly collection model from the monthly model, etc. Consequently, the company had to undertake write-offs of Rs. 1,274 crore in 9M FY2026 and Rs. 1,618 crore in FY2025 at the consolidated level.

Over the last few quarters, SSFL took measures to stabilise its asset quality. The number of new borrowers acquired by the company reduced significantly during FY2025-9M FY2026, with substantial tightening of underwriting and disbursements, in line with the guardrails for microfinance lenders. Further, the company has been strengthening its collections/recovery teams. Following this, the share of SSFL's borrowers who had loans from more than three microfinance lenders³ declined to 7.0% as of December 2025 from 18.0% in April 2025. ICRA also notes that the monthly collection efficiency⁴ improved to 94.9% as of December 2025 from 90.6% as of March 2025, though it remains lower than 98.5% as of March 2024. Further, collections in

² As of March 2025, NCDs worth Rs. 1,058 crore were in breach of covenants, of which Rs. 728 crore underwent covenant testing for profitability on an annual basis and Rs. 307 crore on a quarterly basis. Till March 2026, SSFL had received waivers for Rs. 575 crore of the NCDs undergoing covenant testing on an annual basis

³ Source: Company; based on credit bureau data at the time of disbursement

⁴ Percentage of outstanding receivables collected within a specific period (Current collections/Current demand)

its newly originated portfolio (from April 2025) have remained healthy. As such, the 0+ and 30+ delinquencies (consolidated) declined to 6.8% and 6.0%, respectively, as of December 2025 from 17.4% and 14.8%, respectively, in March 2025. Nevertheless, considering the marginal borrower profile, the unsecured nature of lending, and other regulatory and political risks, the company's ability to keep its asset quality under control is monitorable.

Higher operating and credit costs impacting profitability metrics – SSFL reported a consolidated loss of Rs. 704 crore (return on managed assets (RoMA) of -11.6%) in 9M FY2026 and Rs. 1,035 crore (RoMA of -8.6%) in FY2025 vis-à-vis profit after tax (PAT) of Rs. 501 crore (RoMA of 4.1%) in FY2024. Credit costs increased to 12.1% in 9M FY2026 and 16.5% in FY2025 from 1.5% in FY2024 due to technical write-offs emanating from the deterioration in the asset quality. Forward flow from the current bucket to delinquent buckets is expected to have started improving from Q4 FY2026, though the extent of recoveries from the delinquent portfolio would be a key monitorable. Also, given the increased focus on collections and the decline in AUM in the recent past, operating costs increased and shall remain elevated in the near term. SSFL's profitability metrics are expected to be significantly impacted by these factors in the near term.

Critical to strengthen funding profile – The company restarted its fund-raising activity from Q2 FY2026 after a pause on account of the slowdown in disbursements. During Q2-Q3 FY2026, it raised Rs. 1,844 crore vis-à-vis Rs. 4,482 crore in FY2025 (Rs. 10,441 crore in FY2024) from its lenders. As of December 2025, it had relationships with 42 lenders, including 20 non-banking financial companies (NBFCs)/financial institutions, 19 banks and two development financial institutions (DFIs) and one foreign portfolio investor (FPI).

ICRA also notes that SSFL's cost of borrowing remains elevated. Its marginal cost of borrowing increased to 12.1% and 13.2% in Q2 FY2026 and Q3 FY2026, respectively, from 11.9% in Q4 FY2025 (11.7% in Q3 FY2025). The share of bank borrowings (consolidated basis) declined to 42% as of December 2025 (57% as of March 2025). Correspondingly, the combined share of the other relatively higher-cost borrowings (NBFCs, external commercial borrowings (ECBs) and capital market sources, etc) stood at 58% as of December 2025 vis-à-vis 43% as of March 2025. In the near term, SSFL's ability to maintain a stable funding profile and secure funds at competitive rates would be key from a liquidity perspective as business volumes pick up.

Environmental and social risks

Environmental considerations: While microfinance institutions (MFIs) like SSFL do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. If the borrowers, to whom such MFIs have an exposure, face livelihood disruption because of physical climate adversities, it could translate into credit risks for them. However, such risks are manageable for SSFL as it benefits from adequate geographical diversification of its portfolio. Further, it provides loans with a tenure of around two years, allowing it to adapt and take incremental exposure to borrowers facing relatively fewer downside environmental risks.

Social considerations: Data security and customer privacy are among the key sources of vulnerability for MFIs as material lapses could be detrimental to their reputation and invite regulatory censure.

Liquidity position: Adequate

SSFL had unencumbered cash and cash equivalents of Rs. 1,079 crore as of December 2025. The cumulative collection is expected to be about Rs. 1,709 crore during January-June 2026. SSFL's total scheduled debt obligation over the next six months (January-June 2026) is Rs. 2,498 crore, sufficiently covered by the on-balance liquidity and expected collections during this period.

ICRA notes that NCDs outstanding of Rs. 2.1 crore were in breach of various covenants (related to net worth and quarterly profitability) as of December 2025⁵. Further, term loans of Rs. 41 crore had breaches in the covenants, of which Rs. 27 crore received a waiver approval while no repayment has been requested for the rest.

Rating sensitivities

Positive factors – ICRA could revise the outlook on a sustained improvement in the company's asset quality and profitability indicators.

Negative factors – Weakening in the liquidity profile or the absence of a material improvement in the asset quality or profitability shall negatively impact the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Non-banking finance companies (NBFCs) Policy on withdrawal of credit ratings
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on SSFL's consolidated financial statements (see Annexure III).

About the company

Spandana Sphoorty Financial Limited was incorporated in 2003 as an NBFC. 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-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 banks. SSFL completed its initial public offering (IPO) in August 2019. The company currently has a 10-member board of directors, including five independent directors.

Key financial indicators

Spandana Sphoorty Financial Limited (standalone)	FY2024	FY2025	9M FY2026
Total income	2,386.7	2,245.2	688.6
PAT	467.9	(956.7)	(629.5)
Total managed assets	13,852.4	9,040.3	6,344.2
Return on managed assets	3.9%	(8.4%)	(10.9%)
Managed gearing (times)	2.7	2.2	1.8
Gross stage 3	1.6%	4.9%	2.6%

⁵ As of March 2025, NCDs worth Rs. 1,058 crore were in breach of covenants, of which Rs. 728 crore underwent covenant testing for profitability on an annual basis and Rs. 307 crore on a quarterly basis. Till March 2026, SSFL had received waivers for Rs. 575 crore of the NCDs undergoing covenant testing on an annual basis

Spandana Sphoorty Financial Limited (standalone)	FY2024	FY2025	9M FY2026
CRAR	32.0%	36.3%	30.4%

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

Spandana Sphoorty Financial Limited (consolidated)	FY2024	FY2025	9M FY2026
Total income	2,510.8	2,424.1	789.2
PAT	500.7	(1,035.2)	(704.3)
Total managed assets	14,406.9	9,628.8	6,522.8
Return on managed assets	4.1%	(8.6%)	(11.6%)
Managed gearing (times)	2.8	2.3	1.9
Gross stage 3	1.7%	5.6%	4.2%
CRAR	-	-	-

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

		Current (FY2027)		Chronology of rating history for the past 3 years					
		FY2027		FY2026		FY2025		FY2024	
Instru ment	Type	Amount rated (Rs. crore)	Apr-24- 2026	Date	Rating	Date	Rating	Date	Rating
				Aug-26-2025	[ICRA]BBB+ (Negative)	Dec-05-2024	[ICRA]A+ (Negative)	Dec-15-2023	[ICRA]A (Stable)
						Oct-18-2024	[ICRA]A+ (Stable)	Aug-18-2023	[ICRA]A (Stable)
						Jul-15-2024	[ICRA]A+ (Stable)	-	-
Term loan	Long term	1,000.00	[ICRA]BBB+ (Negative)	Jun-11-2025	[ICRA]A- (Negative)	Dec-05-2024	[ICRA]A+ (Negative)	Jan-15-2024	[ICRA]A (Positive)
				Aug-26-2025	[ICRA]BBB+ (Negative)	Oct-18-2024	[ICRA]A+ (Stable)	Dec-15-2023	[ICRA]A (Stable)
						Jul-15-2024	[ICRA]A+ (Stable)	Aug-18-2023	[ICRA]A (Stable)
MLD	Long term					Jul-15-2024	PP-MLD[ICRA]A+ (Stable)	Jan-15-2024	PP-MLD[ICRA]A (Positive)
								Dec-15-2023	PP-MLD[ICRA]A (Stable)
								Aug-18-2023	PP-MLD[ICRA]A (Stable)

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10, 2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$))	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Complexity level of the rated instrument

Instrument	Complexity indicator
Long term fund based – Term loan	Simple
Non-convertible debentures	Simple

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 II: Instrument details

ISIN	Instrument name	Date of sanction/issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term loan	Sep-11-2023 to Mar-12-2026	NA	Apr-08-2026 to Jun-13-2028	615.83	[ICRA]BBB+ (Negative)
Unutilised	Term loan	NA	NA	NA	384.17	[ICRA]BBB+ (Negative)
NA	Term loan	NA	NA	NA	1,105.00	[ICRA]BBB+ (Negative); withdrawn
INE572J07414	NCD	Aug-01-2022	12.29%	Aug-01-2028	23.00	[ICRA]BBB+ (Negative)
INE572J07703	NCD	Mar-28-2024	9.81%	Apr-02-2026	100.00	[ICRA]BBB+ (Negative); withdrawn
Yet to be placed	NCD	-	-	-	500.00	[ICRA]BBB+ (Negative)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure III: List of entities considered for consolidated analysis

Company name	SSFL ownership	Consolidation approach
Criss Financial Limited	99.92%	Full consolidation
Caspian Financial Services Limited	100.00%	Full consolidation

Source: Company; Note: ICRA has taken a consolidated view of the parent (SSFL) and its subsidiaries while assigning the rating

ANALYST CONTACTS

Karthik Srinivasan

+91 22 6114 3444

karthiks@icraindia.com

A M Karthik

+91 44 4596 4308

a.karthik@icraindia.com

R Srinivasan

+91 44 4596 4315

r.srinivasan@icraindia.com

Richardson Xavier J

+91 44 4596 4310

richardson.xavier@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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.

For more information, visit www.icra.in

ICRA Limited

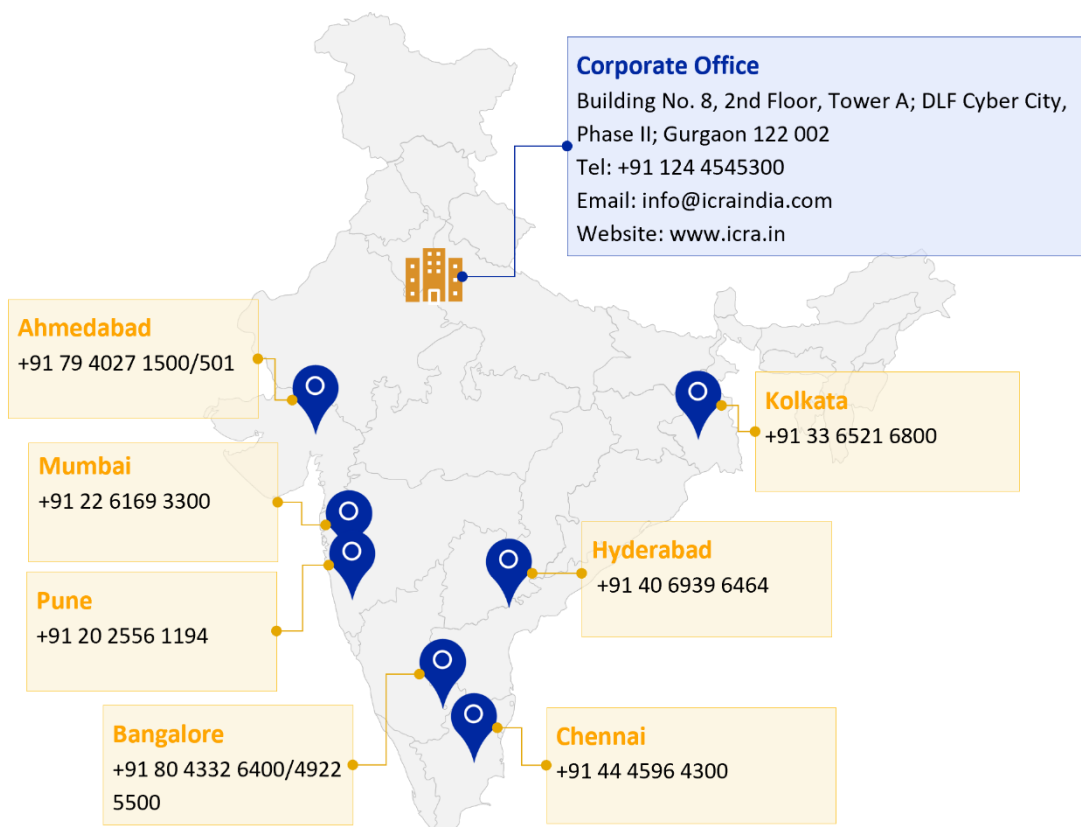


Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2026 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.