

May 15, 2026

Spandana Sphoorty Financial Limited: Ratings confirmed as final for PTCs backed by microfinance loan receivables issued by Scarlet 12 2025

Summary of rating action

Trust name	Instrument*	Initial rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Scarlet 12 2025	PTC Series A1a	43.49	43.49	[ICRA]AA(SO); provisional rating confirmed as final
	PTC Series A1b	43.49	43.49	[ICRA]A(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure II

Rationale

In March 2026, ICRA had assigned Provisional [ICRA]AA(SO) rating to Pass Through Certificate (PTC) Series A1a and Provisional [ICRA]A(SO) rating to Pass Through Certificate (PTC) Series A1b issued by Scarlet 12 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. 96.64 crore (pool receivables of Rs. 117.82 crore). SSFL is also the servicer of the rated transaction.

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

Pool performance summary

Parameter	Scarlet 12 2025
Payout month	April 2026
Months post securitisation	1
Pool amortisation	5.59%
PTC Series A1a amortisation	12.30%
PTC Series A1b amortisation	0.00%
Cumulative prepayment rate	0.24%
Cumulative collection efficiency ¹	99.94%
Loss-cum-0+ days past due (dpd) ²	0.05%
Loss-cum-30+ dpd ³	0.00%
Loss-cum-90+ dpd ⁴	0.00%
Cumulative cash collateral utilisation	0.00%

Transaction structure

As per the transaction structure, both PTC Series A1a and PTC Series A1b investors will receive the promised interest payouts each month on pari-passu basis. All the principal collections including prepayments would be passed on to PTC Series A1a on an expected basis till the 'attachment month'. The 'attachment month' is defined as May 2027, the month till which the pool principal billing would be ~1.6 times the PTC Series A1a principal. Post the attachment month, all principal collections including

¹ (Cumulative current collections and overdue collections)/(Cumulative billings + Opening overdues at the time of securitisation)

² Unbilled and overdue principal portion of delinquent contracts as a % of Initial pool principal

³ Unbilled and overdue principal portion of contracts delinquent for more than 30 days as a % of Initial pool principal

⁴ Unbilled and overdue principal portion of contracts delinquent for more than 90 days as a % of Initial pool principal

prepayments would be passed on to both series of PTC Series A1 on a pari-passu basis. The principal is promised to the investors for both series of PTCs (PTC Series A1a and PTC Series A1b) on the legal final maturity date of the tranches.

The credit enhancement for PTC Series A1a is available in the form of pool principal cover of ~1.6 times over the PTC Series A1a principal and pool cashflow cover of ~2.1 times over the PTC Series A1a cashflows till the attachment month. For PTC Series A1b the credit enhancement is available in the form of subordination of 10.00% of the initial pool principal and excess interest spread (EIS) of 14.05% of the initial pool principal. Further credit enhancement is available in the structure in the form of a CC of 6.00% of the initial pool principal, amounting to Rs. 5.80 crore, provided by the Originator (Spandana). The CC will be used to meet shortfalls in promised payouts to PTC investors.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 19,741 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 ~20% 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

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.

Higher delinquencies in microfinance sector – The microfinance sector has seen lower collections and elevated delinquencies on account of borrower overleveraging and attrition in collection teams. However, portfolio collections have been improving and are higher from the post guardrail book which is a source of comfort.

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 3.0% 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	Scarlet 12 2025
Originator	Spandana Sphoorty Financial Limited
Servicer	Spandana Sphoorty Financial Limited
Trustee	Axis Trustee Services Limited
CC holding bank	Axis Bank Limited
Collection and payout account bank	Axis Bank Limited

Liquidity position

Superior for PTC Series A1a

The liquidity for the PTC Series A1a instrument in the transaction is superior after factoring in the credit enhancement available to meet the promised payouts to the investors. The total credit enhancement for PTC Series A1a is more than 8 times the estimated loss in the pool.

Strong for PTC Series A1b

The liquidity for the PTC Series A1b 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 for PTC Series A1b is 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 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 rating 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 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 (SSFL) 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 (audited)

SSFL (standalone)	FY2024	FY2025	9MFY2026
Total income	2,386.7	2,245.2	688.6

Profit after tax	467.9	(956.7)	(629.5)
Total managed assets	13,852.4	9,040.3	6344.2
Gross Stage 3 (%)	1.6%	4.9%	2.6%
CRAR	32.0%	36.3%	30.4%

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	Instrument	Current rating (FY2027)		Chronology of rating history for the past 3 years			
		Initial rated amount (Rs. crore)	Current rated amount (Rs. crore)	Date & rating in FY2027	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024
				May 15, 2026	March 23, 2026	-	-
Scarlet 12 2025	PTC Series A1a	43.49	43.49	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-
	PTC Series A1b	43.49	43.49	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-

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
PTC Series A1a	Highly Complex
PTC Series A1b	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 II: Instrument details

Trust name	Instrument name	Date of Issuance / sanction	Coupon rate (p.a.p.m)	Maturity date	Amount rated (Rs. crore)	Current rating
Scarlet 12 2025	PTC Series A1a	March 17, 2026	9.25%	February 23, 2028	43.49	[ICRA]AA(SO)
	PTC Series A1b	March 17, 2026	10.60%	February 23, 2028	43.49	[ICRA]A(SO)

Source: Company

Annexure III: List of entities considered for consolidated analysis

Not applicable

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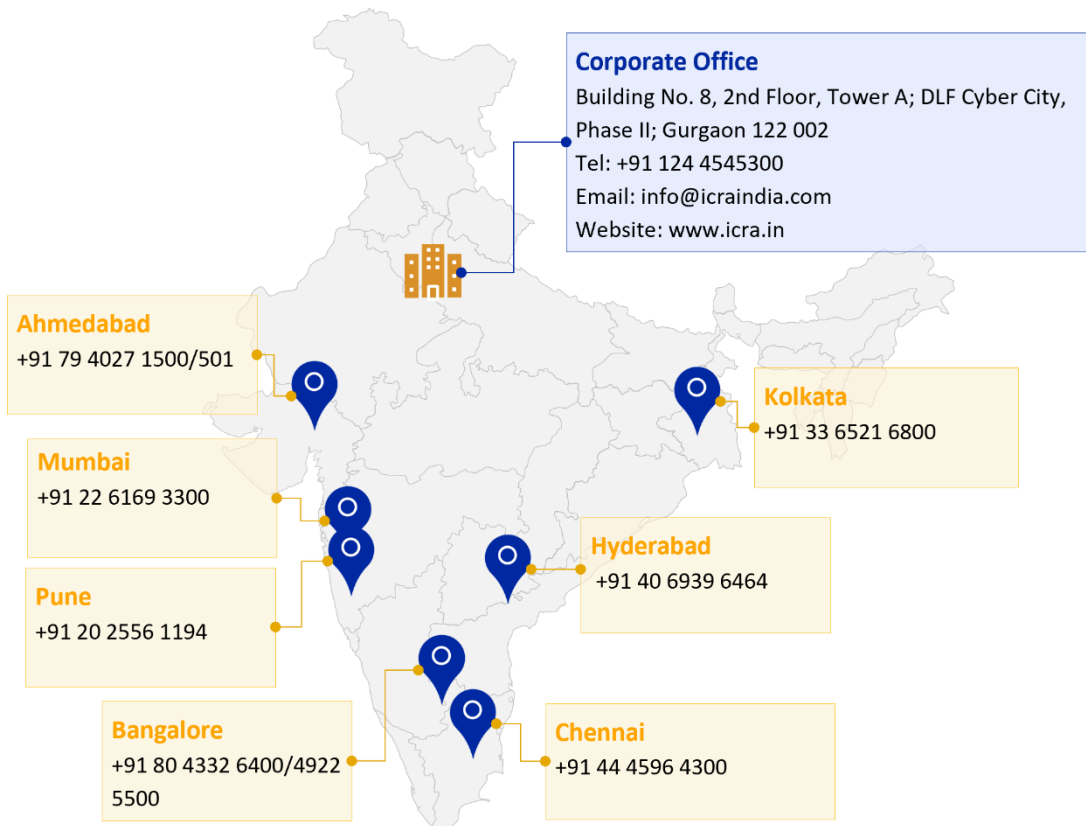
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