June 11, 2026

Spandana Sphoorty Financial Limited: Rating reaffirmed; outlook revised to Stable from Negative

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+ (Stable); rating reaffirmed and outlook revised to Stable from Negative
Non-convertible debentures	523.00	523.00	[ICRA]BBB+ (Stable); rating reaffirmed and outlook revised to Stable from Negative
Total	**1,523.00**	**1,523.00**	

** Instrument details are provided in Annexure II*

Rationale

The rating reaffirmation and the revision in the outlook to Stable factor in the easing of the pressure on Spandana Sphoorty Financial Limited's (SSFL) asset quality and profitability in H2 FY2026. The company's consolidated gross and net stage 3 improved to 3.8% and 0.7%, respectively, as of March 2026 from 5.6% and 1.2%, respectively, as of March 2025. Its 30+ days past due (dpd) delinquencies also moderated to 4.7% as of March 2026 from 14.8% as of March 2025 but remained high compared to 3.0% as of March 2024. The improvement was supported by the enhancement in the collection efficiency of the newly originated portfolio and significant write-offs of Rs. 1,335 crore from delinquent accounts in FY2026 and Rs. 1,618 crore in FY2025.

The asset quality performance of SSFL's newly originated portfolio {originated since April 2025 and constituting 80% of assets under management (AUM) as of March 2026} has been healthy, supported by tightened underwriting policies in line with the guardrails for microfinance lenders. The share of borrowers with more than three microfinance lenders[1] declined sharply to 4.8% as of March 2026 from 18.0% as of April 2025. Consequently, ICRA anticipates a sequential improvement in the overall asset quality performance, going forward, though risks inherent to the microfinance sector would continue to have a bearing on the same.

The company's scale of operations declined substantially during FY2025-H1 FY2026 as it restricted its disbursements owing to asset quality issues. This resulted in the weakening of its operating efficiency with the cost-to-income ratio[2] (C-to-I ratio) increasing to 147.9% in FY2026 from 62.1% in FY2025. However, SSFL has been increasing its disbursements from H2 FY2026 as the asset quality stress eased. Going forward, AUM expansion would help optimise the company's operating expenses, though the improvement is expected to be gradual over the next few quarters. Further, maintaining the forward flows at low levels and achieving recoveries from the overdue books would be key for controlling the incremental credit costs. ICRA expects a gradual improvement in SSFL's profitability, going forward.

SSFL's capitalisation profile remains comfortable with a consolidated managed gearing of 2.0 times as of March 2026, notwithstanding the losses over the past two years, which had resulted in a significant reduction in its capital base, as it scaled down its operations. Further, 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) augmented the capital position to an extent.

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[1] *Source: Company; based on credit bureau data at the time of disbursement*

[2] *Operating cost/Net interest income*

ICRA notes the proposed merger of SSFL with its subsidiary, Criss Financial Limited (CFL; 99.92% held by SSFL). As the credit profile assessment is being done on a consolidated basis at present, the merger is not expected to have any impact.

ICRA also notes that non-convertible debentures (NCDs) outstanding of Rs. 18.5 crore were in breach of various covenants (without waiver; related to net worth and annual profitability) as of March 2026[3], though they have matured and were repaid in April 2026. Further, term loans of Rs. 17 crore had breaches in the covenants; these have received a waiver approval from the concerned lenders. SSFL has been maintaining adequate liquidity with unencumbered cash and cash equivalents of Rs. 844 crore as of March 2026 on a standalone basis. However, ICRA notes the shift in the borrowing mix towards relatively higher-cost sources, with the share of bank borrowings declining to 44% as of March 2026 from 57% as of March 2025.

Key rating drivers and their description

Credit strengths

Comfortable capitalisation profile – On a consolidated basis, SSFL's managed gearing was comfortable at 2.0 times as of March 2026, reducing from 2.3 times as of March 2025 (2.8 times as of March 2024) due to the decline in the AUM during FY2025-H1 FY2026. The recent losses resulted in a significant reduction in the capital base. Despite this, SSFL's capitalisation profile remains comfortable on the back of the moderation in the scale of operations and further supported by the augmentation of capital 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).

ICRA notes that SSFL's Tier I capital (Rs. 842 crore) as of March 2026 was significantly below its net worth due to deductions (Rs. 1,351 crore) primarily related to deferred tax, credit enhancement for pass-through certificates (PTCs) and investments/loans related to CFL. The capital adequacy ratio stood at 29.8% as of March 2026 (36.3% as of March 2025).

Diversified geographical presence – SSFL's consolidated AUM stood at Rs. 4,420 crore as of March 2026 compared to Rs. 6,819 crore as of March 2025 (Rs. 11,973 crore as of March 2024), spread across 11.5 lakh active borrowers through a network of 1,457 branches in 20 states and Union Territories (UTs). 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 March 2026 (59% as of March 2025). As of March 2026, its largest state, Madhya Pradesh, accounted for 15% of the standalone AUM, followed by Bihar (14%), Odisha (12%), Andhra Pradesh (11%) and West Bengal (9%).

Credit challenges

Sustaining stable asset quality in view of the risks inherent to the microfinance sector – 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 write off Rs. 1,335 crore in FY2026 and Rs. 1,618 crore in FY2025 at the consolidated level.

To overcome the asset quality pressure, SSFL had taken measures including the adoption of guardrails for microfinance lenders to stabilise its asset quality. With this substantial tightening of the underwriting process, the number of new borrowers acquired by the company and disbursements reduced significantly during FY2025-FY2026. As of March 2026, 80% of the AUM was originated under the new underwriting rules; this portfolio is exhibiting healthy performance with 99.7% being current on collections. ICRA also notes that the overall monthly collection efficiency[4] improved to 95.5% as of March 2026 from 90.6% as of March 2025. The share of SSFL's borrowers who had loans from more than three microfinance lenders[5] also declined to 4.8% as of March 2026 from 18.0% as of April 2025.

Supported by a combination of write-off of the stressed portfolio and the tightened underwriting of the new portfolio, the 0+ and 30+ delinquencies (consolidated) declined to 5.1% and 4.7%, respectively, as of March 2026 from 17.4% and 14.8%,

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[3] *As of March 2026, SSFL had received waivers for Rs. 484 crore of the NCDs undergoing profit covenant testing on an annual basis*

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

[5] *Source: Company; based on credit bureau data at the time of disbursement*

respectively, in March 2025. Going forward, considering the risks associated with the marginal borrower profile, unsecured lending, business and political risks, along with the challenges associated with a high pace of growth and attrition, the company's asset quality performance is monitorable. Its ability to onboard borrowers with a good credit history, recruit and retain employees and maintain a geographically diversified portfolio would be key for managing these risks.

Moderate profitability indicators – SSFL reported a consolidated loss of Rs. 699 crore {return on managed assets (RoMA) of -8.5%} in FY2026 and Rs. 1,035 crore (RoMA of -8.6%) in FY2025 vis-à-vis a profit after tax (PAT) of Rs. 501 crore (RoMA of 4.1%) in FY2024. Net interest margins were impacted by the higher cost of funds as the average cost of funds rose to 13.2% in Q4 FY2026 from 12.1% in Q4 FY2025. Credit costs increased to 8.8% in 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 flows from the current bucket to delinquent buckets started improving in H2 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 rose and shall remain high in the near term. However, as the company grows its scale of operations, SSFL's profitability metrics are expected to gradually improve from the current levels.

Scope to strengthen funding profile – The company restarted its fund-raising activity from Q2 FY2026 after a pause on account of the slowdown in disbursements. It raised, on a consolidated basis, Rs. 3,116 crore in FY2026 (Rs. 1,272 crore in Q4 FY2026) vis-à-vis Rs. 4,482 crore in FY2025 (Rs. 10,441 crore in FY2024) from its lenders. As of March 2026, on a consolidated basis, it had relationships with 41 lenders, including 19 non-banking financial companies (NBFCs)/financial institutions, 19 banks, 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 12.0% and 13.2% in Q4 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 44% as of March 2026 (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 56% as of March 2026 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

As on March 31, 2026, SSFL's asset-liability maturity profile was characterised by positive cumulative mismatches across all buckets. As of March 2026, it had unencumbered cash and cash equivalents of Rs. 844 crore. Further, cumulative collections over April-June 2026 are expected to be about Rs. 928 crore vis-à-vis total scheduled debt obligations of Rs. 1,346 crore during this period, sufficiently covered by the on-balance liquidity and expected collections during this period.

Rating sensitivities

Positive factors – Growth in the scale of operations while maintaining the asset quality and a sustained improvement in the profitability (RoMA above 2.0%) could positively impact the rating.

Negative factors – Further weakening of the asset quality metrics and subdued earnings performance on a sustained basis could negatively impact the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Non-banking finance companies (NBFCs)
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)	FY2025	FY2026
Total income	2,245	942
PAT	(957)	(624)
Total managed assets	9,077	6,664
Return on managed assets	(8.3%)	(7.9%)
Managed gearing (times)	2.2	1.9
Gross stage 3	4.9%	3.3%
CRAR	36.3%	29.8%

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

Spandana Sphoorty Financial Limited (consolidated)	FY2025	FY2026
Total income	2,424	1,066
PAT	(1,035)	(699)
Total managed assets	9,674	6,779
Return on managed assets	(8.6%)	(8.5%)
Managed gearing (times)	2.3	2.0
Gross stage 3	5.6%	3.8%
CRAR	NA	NA

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; NA- Not applicable

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	
Instrument	Type	Amount rated (Rs. crore)	Jun-11- 2026	Date	Rating	Date	Rating	Date	Rating	Date	Rating
NCD	Long term	523.00	[ICRA]BBB+ (Stable)	Apr-24-2026	[ICRA]BBB+ (Negative)	Jun-11-2025	[ICRA]A- (Negative)	Feb-03-2025	[ICRA]A (Negative)	Jan-15-2024	[ICRA]A (Positive)
						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+ (Stable)	Apr-24-2026	[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 Mutal 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 Apr-27-2026	NA	Jun-24-2026 to Jun-13-2028	517.65	[ICRA]BBB+ (Stable)
Unutilised	**Term loan**	NA	NA	NA	482.35	[ICRA]BBB+ (Stable)
INE572J07414	**NCD**	Aug-01-2022	12.29%	Aug-01-2028	23.00	[ICRA]BBB+ (Stable)
INE572J07810	**NCD**	Apr-28-2026	11.25%	Apr-26-2028	485.00	[ICRA]BBB+ (Stable)
Yet to be placed	**NCD**	-	-	-	15.00	[ICRA]BBB+ (Stable)

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

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