

September 11, 2026

Spandana Sphoorty Financial Limited: Provisional [ICRA]AA(SO) assigned to PTC Series A issued by Canopus 07 2026, backed by a pool of microfinance loans

Summary of rating action

Trust name	Instrument*	Rated amount (Rs. crore)	Rating action	Financial Sector Regulator#
Canopus 07 2026	PTC Series A	110.50	Provisional [ICRA]AA(SO); assigned	RBI

*Instrument details are provided in Annexure I

#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.

Rating in the absence of pending actions/documents	No rating 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+(Stable)})¹ with an aggregate principal outstanding of Rs. 126.28 crore (pool receivables of Rs. 153.78 crore). SSFL would be acting as the servicer for the transaction.

The provisional rating is 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 rating is 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, 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 (i.e. October 23, 2028). Any surplus EIS after making the promised and expected payments shall leak out to originator on every payout date. Any prepayment in the pool would be used for the redemption of the PTC Series A principal. However, the EIS shall be utilised towards the repayment of the principal payout to the PTC Series A investor on the occurrence of certain pre-defined trigger events.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 7.00% of the initial pool principal, amounting to Rs. 8.84 crore, to be provided by the Originator, (ii) principal subordination of 12.50% of the pool principal for PTC Series A and (iii) the excess interest spread (EIS) of 16.04% of the pool principal for PTC Series A.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 27,056 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.

¹ The current rating rationale of the originator, available at this [link](#), provides its detailed rating history and rating transitions.

No overdue contracts in the pool- The pool has been filtered in such a manner that there are no overdue contracts as on the cut off date.

Seasoned contracts in the pool – The pool has amortised by almost ~18.6% 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.

Vulnerable asset quality in microfinance sector – The microfinance sector has seen lower collections and elevated delinquencies on account of borrower overleveraging and attrition in collection teams in the past. However, portfolio collections and asset quality are better 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 4.75% 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: Superior

The liquidity for the PTC Series A 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 A is 6.25 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 rating 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 rating.

Analytical approach

The rating action is based on the analysis of the performance of SSFL’s microfinance loan portfolio till June 2026, 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. Assignment agreement
3. Power of Attorney
4. Legal opinion
5. Trustee letter
6. Other key or important 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 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.

Key financial indicators (audited)

SSFL	FY2024	FY2025	FY2026	Q1FY2027
Total income	2,386.7	2,245.2	942	280
Profit after tax	467.9	(956.7)	(624)	16
Total managed assets	13,852.4	9,040.3	6,664	6,837
Gross Stage 3 (%)	1.6%	4.9%	3.3%	2.9%
CRAR	32.0%	36.3%	29.8%	28.6%

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 (FY2027)	Chronology of rating history
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for the past 3 Years						
	Instrument	Amount rated (Rs. crore)	Date & rating in FY2027	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024
			September 11, 2026	-	-	-
Canopus 07 2026	PTC Series A	110.50	Provisional [ICRA]AA(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A	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

Trust name	Instrument name	Date of Issuance / sanction	Coupon rate (p.a.p.m)	Maturity date	Amount rated (Rs. crore)	Current rating	Financial Sector Regulator [#]
Canopus 07 2026	PTC Series A	September 04, 2026	-	October 23, 2028	110.50	Provisional [ICRA]AA(SO)	RBI

Source: Company

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Annexure II: List of entities considered for consolidated analysis

Not applicable

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