

January 15, 2020

Spandana Sphoorty Financial Limited: ICRA withdraws ratings for pass through certificates (PTCs) issued under one micro loan securitisation transaction

Summary of Rated Instrument

Trust Name	Instrument*	Initial Amount (Rs. crore ¹)	Amount o/s after last surveillance (Rs. crore)	Current Amount O/s (Rs. crore)	Rating action
Pragathi 11 2018	PTC Series A	138.88	82.21	0.00	[ICRA]AA-(SO) Withdrawn

*Instrument details are provided in Annexure I

Rationale

ICRA has withdrawn the ratings for PTCs issued under one micro loan securitisation transaction originated by Spandana Sphoorty Financial Limited (SSFL), as tabulated above.

All the payouts to the investors in the above mentioned instruments have been made and no further payment are due to the investors.

Key rating drivers

Credit strengths

- N.A.

Credit challenges

- N.A.

Description of key rating drivers highlighted above

N.A.

Liquidity position

N.A.

Rating sensitivities

N.A.

Key rating assumptions

N.A.

¹ 100 lakh = 1 crore = 10 million

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Policy on Withdrawal and Suspension of Credit Rating
Parent/Group Support	Not Applicable
Consolidation / Standalone	Not Applicable

About the company

Spandana Sphoorty Financial Limited (SSFL) was incorporated in 2003 as a non-banking financial company (NBFC) and took over the microfinance operations of 'Spandana', a non-governmental organisation started by Ms. Padmaja Reddy in 1998. The company was classified as a non-banking financial company – microfinance institution (NBFC - MFI) in 2015. Following the microfinance crisis in Andhra Pradesh (AP), SSFL entered into a Master Restructuring Agreement (MRA) as a part of the corporate debt restructuring (CDR) with its lenders in September 2011. It exited the CDR in April 2017 after a fresh equity investment led by Kedaara Capital Investment Managers Limited (Kedaara Capital) and fresh funding from three banks. The company completed its IPO in August 2019.

As on September 30, 2019, the company had operations in 17 states and union territories spanning across 272 districts with a total loan portfolio outstanding of Rs.5,297.7 crore (excluding fully provided AP portfolio). The active member base and number of credit assistants stood at 24.1 lakh and 5,143 respectively as on September 30, 2019.

The company has a rating of [ICRA]A- with stable outlook on its long-term debt programmes.

Key financial indicators (IndAS)

	FY 2018	FY 2019	H1 FY2020 (P*)
Total Income (Rs. Crore) [@]	583.1	1,022.6	595.0
Profit after Tax (Rs. Crore)	188.0	308.8	133.1
Net Worth (Rs. Crore)	1,390.7	1,886.4	2,367.6
Total Managed Portfolio (Rs. Crore) [#]	3,166.3	4,269.2	5,297.7
Total Managed Assets (Rs. Crore)	4,634.7	5,425.6	6,639.6
Return on Managed Assets (%)	5.3%	6.1%	4.4%
Return on Net Worth (%)	19.5%	18.8%	12.5%
Gearing (times)	1.7	1.6	1.3
Gross NPA (%)	21.7%	8.0%	1.7%
Net NPA (%)	0.2%	0.0%	0.1%

Source: Company financial statements; Note: Amounts in Rs. Crore; P*- Provisional; # excluding fully provided AP portfolio
 @excluding income from securitization

Status of non-cooperation with previous CRA:

Non-cooperation by Issuer

CRISIL has been consistently following up with Spandana for obtaining information through letters dated August 20, 2018 and September 20, 2018 among others, apart from telephonic communication and emails. However, the issuer has remained non-cooperative.

'The investors, lenders and all other market participants should exercise due caution while using the rating assigned/reviewed with the suffix 'ISSUER NOT COOPERATING'. These ratings lack a forward-looking component as they

are arrived at without any management interaction and are based on the best available or limited or dated information on the company'.

Detailed Rationale

Despite repeated attempts to engage with the management, CRISIL failed to receive adequate information on either the business performance or strategic intent of Spandana, which restricts CRISIL's ability to take a forward-looking view on the entity's credit quality. CRISIL believes information available on Spandana is consistent with 'Scenario 2' outlined in the 'Framework for Assessing Consistency of Information with CRISIL BBB' rating category'. Therefore, CRISIL has migrated the rating on the bank facilities of Spandana to 'CRISIL BBB-/Positive Issuer Not Cooperating'.

CRISIL subsequently withdrew the rating at the company's request and on the receipt of no objection letters from respective banks. The withdrawal is in line with CRISIL's policy on the withdrawal of bank loan ratings.

Any other information: None

Rating history for last three years

S.No	Name of Instrument	Type	Current Rating (FY2020)		Month-year & Rating 15-Jan-2020	Month-year & Rating 3-June-2019	Chronology of Rating History for the past 3 years			
			Initial Rated amount (Rs. Crores)	Amount Outstanding (Rs Crore)			Date & Rating in FY2019		Date & Rating in FY2018	
							12 February 2019	11 December 2018*	--	--
1	PRAGATHI 11 2018	PTC Series A	138.88	0.00	[ICRA]AA-(SO) Withdrawn	[ICRA]AA-(SO)	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	--	--

*Initial Ratings assigned

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure I: Details of Instruments

Sl.	Trust name	Instrument name	Date of issuance	Coupon rate (p.a.)	Scheduled maturity date	Current amount o/s (Rs. crore) ²	Current rating
1.	Pragathi 11 2018	PTC Series A	Dec-18	11.50%	Sep-20	0.00	[ICRA]AA-(SO) Withdrawn

² 100 lakh = 1 crore = 10 million

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About ICRA Limited:

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