

India Ratings Assigns Spandana Sphoorty Financial's Additional NCDs 'IND BBB+/Negative; Affirms Existing Ratings

Oct 14, 2025 | Microfinance Institutions

India Ratings and Research (Ind-Ra) has taken the following rating actions on Spandana Sphoorty Financial Limited's (Spandana) debt instruments:

Details of Instruments

Instrument Description	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating Assigned along with Outlook/Watch	Rating Action
Non-convertible debentures*	-	-	-	INR1.65	IND BBB+/Negative	Assigned
Non-convertible debentures*	-	-	-	INR9.55 (reduced from INR10.05)	IND BBB+/Negative	Affirmed
Bank loan facilities	-	-	-	INR15.0	IND BBB+/Negative	Affirmed

*Details in annexure

Analytical Approach

Ind-Ra continues to fully consolidate Spandana's subsidiaries Criss Financial Limited (99.92% stake; debt rated at '[IND BBB+/Negative](#)') and Caspian Financial Services Limited (100.0% stake), to arrive at the ratings owing to the strategic and operational linkages among them.

Detailed Rationale of the Rating Action

The rating and Negative Outlook reflect the continued stress on Spandana's asset quality during FY25-1QFY26 and the consequent pressure on its consolidated profitability, largely on account of elevated credit costs and operating expenses. Spandana is one of the companies that has been the most impacted by the microfinance crisis, and the agency expects the company's operating and financial performance to remain under pressure in the near term. The company witnessed a significant uptick in portfolio delinquencies in FY25, largely on account of increasing levels of borrower indebtedness, high field staff attrition, and operational challenges due to the transition to weekly collections mode from a monthly mode in select geographies (the transition has been paused at present due to headwinds in the sector), leading to a weakening of the asset quality.

The internal challenges were exacerbated by external factors such as the impact of general elections in 1QFY25, political movements, namely Karza Mukti Abhiyan, in certain geographies, and adverse weather conditions. Furthermore, during 4QFY25, the company's operations in Karnataka were disrupted by the implementation of the microfinance bill to curb coercive recovery practices. Karnataka comprised 8.8% of Spandana's assets under management (AUM) as of June 2025. Furthermore, the capping of maximum lender exposure per borrower to three, as per Microfinance Institution Network (MFIN; self-regulatory organisation) guardrails, applicable for microfinance lenders from 1 April 2025, limits borrowers from availing incremental loans. This had temporarily impacted Spandana's collections during 1QFY26.

However, the ratings are supported by Spandana's geographically diversified loan portfolio and a healthy capitalisation profile supported by regular equity infusions in the past. The agency also takes note of the equity capital of INR2,000 million raised by the company from the promoters and institutional investors in August 2025 through a partly paid rights issue, which has further strengthened the capitalisation profile. However, Spandana's overall cost of borrowings remains higher than that of its peers. The company also witnessed an uptick in the marginal cost of borrowing between 1QFY25 and 4QFY25. The agency notes that the company has not raised incremental debt in 1QFY26 due to negligible disbursements during the period. Spandana's ability to further diversify its funding profile and raise debt at improved rates compared to its peers would be a key rating monitorable. The ratings remain vulnerable to the risks associated with the microfinance business, including its modest borrower profile. This, however, is mitigated to some extent by the geographical diversification in Spandana's portfolio as well as the revised regulatory guidelines for the microfinance segment in FY22, which enable risk-based pricing for the industry. Given the exit of the erstwhile managing director, Shalabh Saxena, in the midst of the headwinds faced by the company, the stability of the leadership team will remain key for the execution of management strategy and scaling up of the franchise. Ashish Damani (chief financial officer and president, Spandana) has been appointed as the interim chief executive officer.

As on 30 June 2025, the company was not in compliance with the financial covenants pertaining to asset quality and profitability for two of its NCDs with an outstanding principal of INR206 million as on 30 June 2025 (reduced from INR10,583.6 million as on 31 March 2025). Moreover, the company was in breach of the covenants pertaining to asset quality and profitability for its term loans with an outstanding principal of INR1,381 million as of 30 June 2025, of which the company has received waiver from the lenders of term loans of INR711 million. Ind-Ra notes that the lenders have not requested for a further recall of term loan so far. However, the company's ability to receive the required waivers from the lenders on a timely basis for such cases and limit early redemptions over the near term is a key rating monitorable.

List of Key Rating Drivers

Strengths

- Geographically diversified portfolio
- Healthy capitalisation profile

Weaknesses

- Business stabilisation still underway; regaining franchise likely to take more time
- Weak asset quality; near-term profitability to be impacted due to higher credit costs
- Further scope to strengthen funding profile
- Sectoral risk associated with microfinance segment

Detailed Description of Key Rating Drivers

Geographically Diversified Portfolio: At the consolidated level, as of June 2025, Spandana's loan operations are spread across 20 states and 1,720 branches (20 states and 1,541 branches on a standalone basis). On a standalone basis, its top state, Madhya Pradesh accounted for 14.2% of the AUM and the share of the top three states, i.e. Odisha, Madhya Pradesh and Andhra Pradesh stood at 38.8% as of June 2025 (March 2025: 13.4% and 37.9%; March 2024: 14.3% and 39.2% and March 2023: 16.8% and 42.8%). As of June 2025, no state accounted for over 15% of the overall standalone AUM. Ind-Ra expects the single-state concentration to reduce further as the company expands its portfolio in the medium term. As of June 2025, the top five states in terms of portfolio concentration, Madhya Pradesh, Odisha, Bihar, Andhra Pradesh and Karnataka (58.8% of the loan portfolio) contributed 64.5% to the company's gross stage 3 assets. As part of its calibrated growth approach, Spandana will maintain its AUM at similar levels in these high-risk geographies in FY26.

Spandana's consolidated AUM expanded at a cumulative annual growth rate of 34.9% over FY22-FY24 and 40.7% yoy to INR119,730 million in FY24. However, the portfolio moderated 43% yoy to INR68,190 million during FY25 on account of muted disbursements and higher portfolio write-offs during the period. The AUM further moderated 27% qoq to INR49,580 million during 1QFY26. The management has guided the AUM to grow around 15% yoy in FY26, largely driven by new borrower acquisition and cautious disbursements to the existing borrowers, considering the overall indebtedness and credit profile of the borrowers. The consolidated borrower base moderated to 2.04 million in June 2025 as compared to 2.49 million in March 2025 (March 2024: 3.32 million; March 2023: 2.26 million), with the average outstanding loan ticket size per borrower remaining low at about INR24,304 (March 2025: INR27,386; March 2024: INR36,063).

Healthy Capitalisation Profile: Spandana maintains a healthy capitalisation profile with a consolidated net worth (adjusted for deferred tax assets, intangibles and goodwill) of INR16,766 million in 1QFY26 (FY25: INR21,378.8 million; FY24: INR34,898 million; FY23: INR28,803 million; FY22: INR28,813 million). Also, its standalone capital adequacy ratio remained above the regulatory benchmark of 15% and stood at 36.9% in 1QFY26 (FY25: 36.3%; FY24: 32%; FY23: 37%; FY22: 51%), supported by regular equity infusions. The consolidated capital to risk weighted assets ratio (CRAR) stood at 40.8% in 1QFY26 (FY25: 37.1%). The consolidated leverage (outstanding debt to tangible net-worth) stood at 2.6x in 1QFY26 and FY25 (FY24: 2.7x; FY23: 2.1x; FY22: 1.3x); the moderation in leverage was on account of muted disbursements and the decline in AUM during the period. Ind-Ra expects the company to maintain the leverage below 4.0x over the medium term. The agency also takes notes of the equity capital of INR2,000 million, raised by the company from the promoters and institutional investors in August 2025 through a partly paid rights issue, which has further strengthened the capitalisation profile. The agency notes that post the rights issue, Spandana's CRAR has further improved to about 46% as of August 2025.

Business Stabilisation Still Underway; Regaining Franchise Likely to Take More Time: Adopting a cautious approach, Spandana pulled back on its disbursements between January and May 2025, leading to a significant loss of a part of its franchise. Ind-Ra expects a slow recovery in regaining the franchise in FY26 even as capitalisation levels are healthy. Growth will be driven by the servicing of the existing borrower base along with acquisition of new borrowers. Ind-Ra will closely monitor the company's efforts to build its franchise while keeping asset quality under control. The agency has taken note of the auditor's observations on the internal controls related to certain operating procedures and increased cash frauds in the branches in FY25; while some of these have already been remediated, further strengthening of the internal controls will remain key. With the exit of Shalabh Saxena, the erstwhile managing director and chief executive officer (MD & CEO), stability of the leadership team will also remain a key for strategic execution and scaling up of the franchise. The agency notes that Ashish Damani (chief financial officer & president,) has been appointed as the CEO on an interim basis while the board is in the process of appointment of the next CEO.

Weak Asset Quality; Near-term Profitability to be Impacted due to Higher Credit Costs: In terms of asset quality, the consolidated gross stage 3 assets and net stage 3 assets stood at 5.49% and 1.21%, respectively as of June 2025 (March 2025: 5.63% and 1.19%; March 2024: 1.7% and 0.3% and March 2023: 2.2% and 0.7%). The company saw higher delinquencies in FY25, owing to the various operational disruptions faced during the period. As of June 2025, Spandana's 0+days past due and 30+ days past due on a standalone basis stood at 18.4% and 15.4%, respectively, compared to 18.1% and 15.5%, respectively as of March 2025 (December 2024: 16.9%, 12.8%; September 2024: 16.0%, 10.9%) on a lower AUM base. The collection efficiency (collections made against demand for the period) remained flattish at 89.01% for June 2025 and 89.41% in March 2025 (December 2024: 88.82%, November 2024: 89.95%, April 2024: 94.62%). The incremental write-offs stood at INR 6,420 million for 1QFY26 (11.8% of the average loan book) and INR16,176 million (18.3% of the average loan book) for FY25 (FY24: INR946.5 million; 1.0%).

Further, the capping of maximum lender exposure per borrower to three as per MFIN guardrails limits borrowers from availing incremental loans and thus, has temporarily impacted the collections during 1QFY26. During 4QFY25, the company's operations in Karnataka were disrupted by the implementation of the microfinance bill to curb coercive recovery practices; therefore, the normalisation of the asset quality in Karnataka in the near term will be a key monitorable. Also, any incremental impact on the asset quality in Bihar (11.2% of the AUM as of June 2025) on account of the upcoming general elections will also be monitorable. The agency notes that asset quality of loans disbursed post implementation of the MFIN guardrails is performing better than the legacy book; although, the share of this book remains negligible as of June 2025 due to negligible disbursements in 4QFY25 and 1QFY26.

The company encountered several challenges during 1HFY25, on account of factors such as the general elections, adverse climatic conditions, localised political movements and borrower over-leveraging, high loan officer/ branch manager attrition and operational issues due to the migration to weekly collections from monthly collections, which impacted both disbursements and collections. Some of the risk mitigation techniques adopted by the company include a conservative lending approach by not on-boarding any delinquent borrowers (the borrower should not be even a single day delinquent, taking household delinquency levels into account), risk-based classification of branches based on asset quality and collection efficiency, and strengthening of KYC (know-your-customer) verification systems and internal controls. To strengthen the collections team, the company has taken initiatives such as setting up a dedicated collections team for non-performing accounts, increasing bench staff, recruited branch quality managers to support branch managers, among others. Also, for improvement of collections from delinquent customers, the company has taken initiatives such as automated voice calls and tele-calling to such customers, sharing of payment links with customers and initiation of legal action against the customers.

The company maintains a high provisioning with the provision coverage ratio on stage 3 assets at 79% for FY25 and 1QFY26 (FY24: around 80%); the total credit cost as a percentage of the average loan book remained high at 28.7% (annualised) for 1QFY26 (FY25: 21.1%; FY24: 2.7%; FY23: 7.1%), on account of the incremental write-offs made during the period and de-growth of loans book simultaneously. The company incurred Incremental credit costs of INR4,221.7 million 1QFY26, driven by the incremental write-offs during the period. The cost-to-income ratio also increased to 139.1% in 1QFY26 (FY25: 59.3%; FY24: 41.3%) on account of incremental expenses incurred to strengthen the collections infrastructure. Considering the impact of elevated credit cost, the company reported a consolidated loss of INR3,602 million in 1QFY26, translating into an annualised return on assets of negative 20.4% (FY25: loss of INR1,035.2 million; negative 9.8%; FY24: INR5,007.2 million; 4.5%). Spandana's asset quality is yet to stabilise, given the slippages in the softer delinquency buckets, and therefore, Ind-Ra expects the near-term profitability to remain impacted due to incremental credit costs. The company's ability to control asset quality stress will remain key towards an improvement in the profitability over the near term.

Further Scope to Strengthen Funding Profile: The company, on a consolidated basis, raised INR44,820 million in FY25 (FY24: INR104,413 million; FY23: INR57,753 million) from the existing as well as new lenders. Furthermore, the company raised incremental funds of INR40,789 million on a standalone basis during FY25. The company has not raised incremental borrowings during 1QFY26 on account of negligible disbursements during the period. After having declined during 2QFY24-1QFY25, Spandana's marginal cost of borrowings saw an uptick between 2QFY25-4QFY25 and stood at 11.9% (1QFY25: 10.8%; 2QFY25: 11.4%; 3QFY25: 11.7%). The average cost of borrowing (annualised) stood at 12.3% for 1QFY26 (4QFY25: 12.1%; 1QFY25: 11.6%). Its cost of borrowing remains higher than some of the industry peers. The share of bank funding stood at 55% as of June 2025 (March 2025: 57%; March 2024: 57%; March 2023: 45%). It will be crucial for Spandana to strengthen and diversify its borrowing profile and avail incremental funding at competitive rates.

As of 30 June 2025, Spandana had lending relationships with 23 banks including four public sector banks, 25 financial institutions and non-banking finance companies, two development financial institutions and one foreign private investor on a consolidated basis.

Sectoral Risk Associated with Microfinance Segment: The microfinance segment as such is vulnerable to socio-political, climatic risks as well as operational risks associated with marginal borrower profile, higher borrower attrition, overleveraging, multiple lending, among others. Geographical diversification will act as a mitigating factor for the socio-political risk to some extent, while improved underwriting capabilities, along with a strong collection mechanism and higher employee retention will be key to manage the strong growth in the sector. Furthermore, the microfinance sector is regulated by multiple bodies which, from time to time, have been providing several directives to maintain credit discipline and avoid over indebtedness for borrowers.

Liquidity

Adequate: Spandana's unencumbered cash and liquid Investments stood at INR16,528.4 million as on 1 July 2025. It has total debt obligations and operational expenses of INR1,462.9 million between July 2025 and September 2025. The cash position as of 1 July 2025, is sufficient to cover the debt obligations and operational expenses until September 2025. Furthermore, as per management estimates, the average monthly collections during the period to be about INR4,211 million. The company has raised equity of INR2,000 million in August 2025, which further boosts the liquidity profile. Spandana's standalone asset-liability maturity profile, as on 30 June 2025, was characterised with a positive mismatch in all buckets. As a liquidity policy, the management will maintain liquidity worth one month of debt repayment obligations, two months of operational expenses along with incremental buffers of INR500 million-1,000 million.

Rating Sensitivities

Positive: A significant scale-up in the AUM with geographical diversification, a material improvement in the asset quality and stabilisation in the earnings profile and a significant diversification in the funding profile with a reduction in the cost of borrowing in-line with peers could lead to a positive rating action.

Negative: Further delays in improvement of the asset quality, adversely impacting profitability, funding challenges, leading to a dilution in liquidity, a moderation in the capitalisation profile, with the leverage exceeding 4.0x, delay in stabilisation of the leadership team, all on a sustained basis and/or any adverse regulatory action, could lead to a negative rating action.

Any Other Information

Not applicable

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on Spandana, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

Spandana was incorporated on 10 March 2003 as an NBFC after it took over the microfinance operations of a non-governmental organisation in 1998. The company was classified as an NBFC- microfinance institution effective 13 April 2015. It was listed on the stock exchange in August 2019 post the initial public offering of its equity shares. As on 30 June 2025, Spandana had operations in 20 states/union territories spanning across more than 400 districts in 1,720 branches with an outstanding AUM of INR 49,580 million.

Key Financial Indicators

Particulars (INR million) - Consolidated	1QFY26	FY25	FY24
Total tangible assets*	61,270	79,981	1,32,274
Total tangible equity*	16,766	21,379	34,898
Net profit	-3,602.3	-10,351.6	5,007
Return on average assets (%)	-20.4	-9.8	4.5
Equity/assets (%)	27.4	26.7	26.4
Total capital ratio (%)	40.8	37.1	31.3

Source: Spandana; Ind-Ra
 *Total assets and equity adjusted for deferred tax assets, good-will and intangibles
 Note: All ratios in the rating rationale are as per Ind-Ra methodology and can vary from those reported by the company.

Particulars (INR million) – Standalone	1QFY26	FY25	FY24
Total tangible assets*	58,205.1	75,674.2	127,431
Total tangible equity*	17,625.5	21,822.1	34,295
Net profit	-3,289.1	-9,567.4	4,679
Return on average assets (%)	-19.7	-9.4	4.3
Equity/assets (%)	30.28	28.84	26.9
Total capital ratio (%)	36.9	36.3	32.0

Source: Spandana; Ind-Ra
 *Total assets and equity adjusted for deferred tax assets, good-will and intangibles
 Note: All ratios in the rating rationale are as per Ind-Ra methodology and can vary from those reported by the company.

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Rating Watch/Outlook												
	Rating Type	Rated Limits (billion)	Rating	26 August 2025	10 June 2025	12 February 2025	27 December 2024	8 October 2024	19 August 2024	24 June 2024	11 September 2023	30 May 2023	19 January 2023	20 December 2022	13 September 2022	25 August 2022
Non-convertible debentures	Long-term	INR 11.20	IND BBB+/Negative	IND BBB+/Negative	IND A-/Negative	IND A/Negative	IND A+/Negative	IND A+/Stable	IND A+/Stable	IND A+/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable
Principal protected market-linked debentures	Long-term	INR9.20	-	-	-	-	-	-	-	WD	IND PP-MLD A/Stable	IND PP-MLD A/Stable	IND PP-MLD Aemr/Stable	IND PP-MLD Aemr/Stable	IND PP-MLD Aemr/Stable	IND PP-MLD Aemr/Stable

Bank loans	Long-term	INR15.00	IND BBB+/Negative	IND BBB+/Negative	IND A-/Negative	IND A/Negative	IND A+/Negative	IND A+/Stable	IND A+/Stable	IND A+/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable
Commercial papers	Short-term	INR5.00	-	-	-	-	-	-	-	WD	IND A1	IND A1	IND A1	-	-	-

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low
Non-convertible debentures	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
Non-convertible debentures	INE572J07513	30 December 2022	11.35	30 December 2025	INR1.00	IND BBB+/Negative
Non-convertible debentures	INE572J07745*	24 April 2023	11.1	24 April 2026	INR1.00	IND BBB+/Negative
Non-convertible debentures	INE572J07612	4 September 2023	10.75	4 September 2026	INR0.30	IND BBB+/Negative
Non-convertible debentures	INE572J07612	26 September 2023	10.75	4 September 2026	INR0.30	IND BBB+/Negative
Non-convertible debentures	INE572J07612	26 October 2023	10.75	4 September 2026	INR0.40	IND BBB+/Negative
Non-convertible debentures	INE572J07638#	6 October 2023	10.75	22 September 2025	INR0.50	WD
Non-convertible debentures	INE572J07653	18 December 2023	10.11	18 December 2025	INR1.00	IND BBB+/Negative
Non-convertible debentures	INE572J07653	18 January 2024	10.11	18 December 2025	INR1.00	IND BBB+/Negative
Non-convertible debentures	INE572J07679	7 March 2024	10.75	3 April 2026	INR0.70	IND BBB+/Negative
Non-convertible debentures	INE572J07612	7 August 2024	10.75	4 September 2026	INR0.50	IND BBB+/Negative
Non-convertible debentures				Utilised limits	INR6.2	IND BBB+/Negative
Non-convertible debentures				Unutilised limits	INR5.0	IND BBB+/Negative
				Total limits**	INR11.2	IND BBB+/Negative

Source: Company; NSDL; *ISIN no. INE572J07570 merged with ISIN no. INE572J07745

**Utilised limits do not include withdrawn ISINs; # paid in full

Contact

Primary Analyst

Deepali Panda

Associate Director

India Ratings and Research Pvt Ltd

Unit# 614 - 616, 6th Floor, B Wing, Mittal Tower, M G Road, Bengaluru - 560 001

4046666828

For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst

Amit Rane

Associate Director

+91 22 40001700

Media Relation

Ameya Bodkhe

Marketing Manager

+91 22 40356121

About India Ratings

India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance companies, urban local bodies, and structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Gurugram, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India and the Reserve Bank of India.

Ind-Ra is a 100% owned subsidiary of the Fitch Group.

Evaluating Corporate Governance

Financial Institutions Rating Criteria

Non-Bank Finance Companies Criteria

The Rating Process

DISCLAIMER

All credit ratings assigned by india ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.indiaratings.co.in/rating-definitions>. In addition, rating definitions and the terms of use of such ratings are available on the agency's public website www.indiaratings.co.in. Published ratings, criteria, and methodologies are available from this site at all times. India ratings' code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the code of conduct section of this site.