

Spandana Sphoorty Financial Limited

August 28, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	800.00	CARE BBB+; Stable	Downgraded from CARE A-; Stable
Non-convertible Debentures	500.00	CARE BBB+; Stable	Downgraded from CARE A-; Stable
Non-convertible Debentures	200.00	CARE BBB+; Stable	Downgraded from CARE A-; Stable
Commercial Paper	100.00	CARE A2	Downgraded from CARE A2+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The downgrade in ratings to debt instruments of Spandana Sphoorty Financial Limited (SSFL) factors in its weaker-than-expected profitability and asset quality metrics in Q1 FY2026 and expected weakness in the earnings profile in the near term. SSFL reported a net loss of ₹360 crore in Q1FY2026, as against a loss of ₹434 crore reported in Q4FY2025. Further, its stage 2 and stage 3 assets remained elevated at 13.4% as on June 30, 2025 after writing off ₹642 crore (~10% of loan book as on March 31, 2025) during the said quarter. The ratings also take into account SSFL's continued decline in scale of operations with a degrowth of ~27% in Q1 FY2026. The degrowth in scale can be attributable to low disbursements, limited debt mobilisation from lenders and write offs during the quarter. The ratings also remain constrained due to the inherent risks involved in the microfinance industry, including unsecured lending, marginal profile of borrowers, socio-political intervention risk, and regulatory uncertainty.

The ratings, however, are supported by SSFL's adequate capitalisation profile as it reported a total capital to risk weighted assets ratio (CRAR) of 40.8% and gearing of 2.6x as on June 30, 2025. Further, SSFL raised ~₹200 crore in August 2025 via rights issue (total issue size of ₹400 crore) in its first tranche, with second tranche of ₹200 crore to be raised on or before March 2027. While this supports the capitalisation to an extent, it is relatively low in comparison to the net worth erosion witnessed in FY2025 (net loss of ₹1,035 crore) and Q1 FY2026 (net loss of ₹360 crore). SSFL's credit profile is also supported by its adequate liquidity profile with on-balance sheet liquidity of ₹1,731 crore as on June 30, 2025. Going forward, its ability to maintain an adequate liquidity profile and raise required funding to grow its business will be crucial for its credit profile.

CareEdge Ratings also note that SSFL is in continued breach of some financial covenants in respect of its borrowings cumulatively amounting to ₹432 crore {this comprises ₹294 crore of non-convertible debentures (NCDs) and ₹138 crore of term loans from bankers and other lenders}, with an option of accelerated payment. While debenture holders of NCDs worth ₹223 crore and term loan from bankers/NBFCs worth ₹71 crore have given waiver for complying with the covenants in breach, debenture holders holding NCD worth ₹50.72 crore had exercised early redemption in Q1 FY2026. It is noteworthy that none of the bankers and lenders have exercised option of accelerated repayment. These covenant breaches were reported by the company as part of declaration of financial results for the quarter ended June 30, 2025. CareEdge Ratings also takes note of changes at senior and middle-level management, along with elevated attrition rate at ground level, which could act as a bottleneck in timely normalisation of SSFL's operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant scale-up of operations with maintaining adequate capitalisation and gearing
- Sustained improvement in SSFL's profitability and asset quality

Negative factors

- Weakening in SSFL's consolidated capitalisation profile with asset under management (AUM) to net worth remaining above 6x on sustained basis
- Prolonged weakening in its earnings profile and asset quality
- Sustained weakening of its liquidity profile

Analytical approach: Consolidated. CARE Ratings has adopted a Consolidated approach for SSFL owing to the financial and operational linkages with its below subsidiaries. Please refer Annexure 6.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications

The list of subsidiary companies is as follows:

- Caspian Financial Services Limited
- Criss Financial Limited

Outlook: Stable

The Stable outlook on long-term rating of SSFL reflects CareEdge Ratings' expectation that SSFL will be able to improve in scale in H2 FY2026 with gradual improvement in its earning profile while maintaining adequate capitalisation levels.

Detailed description of the key rating drivers

Key strengths

Adequate capitalisation profile

SSFL's capitalisation profile remains adequate with CRAR of 40.8% and gearing (on-book debt / TNW) of 2.6x as on June 30, 2025, as compared to 37.10% and 2.7x, respectively, as on March 31, 2025. While the entity has witnessed a decline in its TNW to ₹1,677 crore in June 2025, from ₹3,490 crore in March 2024 on account of high loss reported during this period, SSFL's capitalisation profile has remained adequate because of decline in its scale, leading to decline in borrowings. Its capital profile is further supported by recent capital raise of ₹400 crore in Q2 FY2026, of which ₹200 crore has been received in first tranche and remaining is planned to be raised on or before March 31, 2027. SSFL is backed by a private equity player i.e. Kedaara Capital which holds 48.2% stake in it (directly and indirectly through its special purpose vehicle (SPV) i.e. Kangchenjunga Limited) as on June 30, 2025. CareEdge Ratings expects its gearing to remain below 4x levels in FY2026.

Key weaknesses

Weak asset quality and earnings profile

SSFL's consolidated asset quality metrics remained weak as it reported gross stage 3 (GS3) assets of ₹251 crore (5.5% of portfolio) and gross stage 2 (GS2) assets of ₹361 crore (7.9%) as on June 30, 2025, as compared to ₹354 crore (5.6%) and ₹578 crore (9.2%), respectively, as on March 31, 2025, after writing off ₹642 crore during Q1 FY2026. Its current bucket collection efficiency (CE) stood at 97.9% in June 2025 as compared to 98.6% in March 2025, indicating an increase in forward flow. While this is expected to have improved incrementally in July 2025, a monthly forward flow of ~1.5-2.0% will keep the stress book elevated in future as well. Furthermore, the entity was carrying a healthy provision cover (PCR) of 79% on its GS3 and ~45% on its GS2 as on June 30, 2025, however, high forward flow will require SSFL to maintain similar or higher PCR, while writing off stressed assets, to maintain its reported GS3 ratio.

The continued weakening of its asset quality and higher write offs has adversely impacted its earnings profile. SSFL's credit cost in Q1 FY2026 remained elevated at 23.9% (annualised) in relation to average total assets (ATA) and higher than CareEdge Ratings' previous estimates and given the recent CE and forward flow, it is expected to remain elevated for a few more quarters. Further, its operating efficiency has weakened with decline in scale and higher expenses on account of strengthening systems, maintaining adequate employee strength and support collection and recovery process. Its opex to ATA stood at 11.8% (annualised) in Q1 FY2026 as compared to 8.3% in FY2025 and 5.8% in FY2024. Its earnings profile in Q1 FY2026 was also impacted by reversal of interest income to the tune of ₹50-odd crore, leading to a compression in its margins; SSFL's net interest margin (NIM) to ATA ratio declined to 7.4% (annualised) in Q1 FY2026 from 11.9% in FY2025 and 11.7% in FY2024. With further write offs in upcoming quarters, more interest income reversal is expected to keep the margins under pressure. Overall, the company reported a net consolidated loss of ₹360 crore in Q1 FY2026, translating into return on average total assets (RoTA) of -20.4% (annualised) and return on average tangible net worth (RoNW) of -75.5% (annualised). While gradual improvement in its earnings profile is expected, however, CareEdge Ratings expects the company to report losses for two more quarters.

Inability to raise funds

SSFL has not raised any debt funds in Q1FY2026; SSFL standalone basis had raised ₹4,078.87 Cr in FY25 as compared to ₹10,017.83 Cr in FY24. While the entity has a diversified resource profile comprising of funding in form of term loans from banks and NBFCs, capital market debt via NCDs and direct assignment (DA) book, its incremental fund raising has remained constrained. Furthermore, SSFL is in continued breach of some financial covenants in respect of its borrowings cumulatively amounting to ₹432 crore (₹293 crore of NCDs and ₹138 crore of term loans from other lenders including banks), with an option of accelerated payment. While debenture holders of NCDs worth ₹223 crore and term loan from bankers/NBFCs worth ₹71 crore have given waiver for complying with the covenants in breach, debenture holders holding NCD worth ₹50.72 crore had exercised early redemption in Q1 FY2026. It is noteworthy that none of the bankers and lenders have exercised option of accelerated repayment.

Inherent industry risks

Given the unsecured nature of microfinance loans to marginal profile borrowers who are vulnerable to economic downturns, the microfinance sector continues to be impacted by the inherent industry risks. These include socio-political intervention risk and regulatory uncertainty and operational risks related to cash-based transactions and heavy ground feet reliance. In the recent past the industry witnessed a significant increase in attrition rate at branch level, which has required MFIs to increase their bench strength to avoid any additional operational hiccups as well as to strengthen their collection process.

Liquidity: Adequate

SSFL had an adequate on-book liquidity of ₹1,731 crore as on June 30, 2025 on a consolidated basis (₹1,590 crore post rights issue in August 2025). Against this, SSFL's debt obligation for the next one year (i.e., from July 1, 2025 to June 30, 2026) stood at ₹ 3,355 crore as per its asset-liability management (ALM) statement and scheduled collections of ₹ 3,209 crore for the same period. By stressing its CE at 80% (actual CE of 98.5% from current book in July 2025) from standard book and nil collections from NPA book, its liquidity is adequate for up to 3 months. Further, the company is in breach of some financial covenants which provides an option to these lenders/ investors to exercise accelerated repayment, for outstanding borrowing accounting for ₹432 crore (out of which SSFL has received waiver for ₹294 crore debt) as on June 30, 2025, nonetheless, SSFL continues to carry sufficient on-book liquidity.

The ratings assigned by CareEdge Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades.

Assumptions/Covenants: Not applicable

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Short Term Instruments](#)

[Non Banking Financial Companies](#)

About the company and industry

Industry classification

Macroeconomic Indicator	Sector	Industry	Basic Industry
Financial services	Financial services	Finance	Financial Institution

SSFL was incorporated on March 10, 2003 under the provisions of the Companies Act, 1956 and was registered as on non-deposit accepting NBFC with the RBI and was classified as an NBFC-MFI effective April 13, 2015. The company is engaged in undertaking microfinance loans business in India in a joint liability group (JLG) and loan against property (LAP) lending model. The company provides micro loans with a tenure of 1-2 years to women borrowers from low-income households for income generation activities like agriculture, handlooms & handicrafts, cattle rearing, cottage industries & micro entrepreneurial ventures like tailoring, grocery stores amongst others, education and healthcare. The company has two subsidiaries, Caspian Financial Services Limited (CFSL) and Criss Financial Limited (CFL). As on June 30, 2025, the company operates in 19 states and 1 union territory with consolidated AUM of ₹4,958 crore.

Brief Financials (₹ crore) (Consolidated)	March 31, 2024 (A)	March 31, 2025 (A)	June 30, 2025 (UA)
Total operating income	2,510.78	2,424.00	304.12
PAT	500.72	-1035.10	-360.23
Interest coverage (times)	1.75	-	-
Total assets*	13,227.42	7,998.13	6,127.00
Net NPA^ (%)	0.34	1.38	1.34
ROTA (%)	4.47	-9.75	-20.40

A: Audited; UA: Unaudited; Note: 'the above results are latest financial results available'.

**excludes deferred tax assets and intangible assets; ^CARE Ratings calculated*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper-Commercial Paper	Proposed	-	-	-	100.00	CARE A2
Debentures-Non Convertible Debentures	INE572J07729	10-Jul-2024	10.75%	10-Jul-2026	55.00	CARE BBB+; Stable
Debentures-Non Convertible Debentures	INE572J07711	28-Jun-2024	9.84%	28-Jun-2026	75.00	CARE BBB+; Stable
Debentures-Non Convertible Debentures	Proposed	-	-	-	170.00	CARE BBB+; Stable
Debentures-Non Convertible Debentures	INE572J07711	02-Aug-2024	9.84%	28-Jun-2026	150.00	CARE BBB+; Stable
Debentures-Non Convertible Debentures	INE572J07737	14-Aug-2024	10.50%	14-Apr-2027	50.00	CARE BBB+; Stable
Debentures-Non Convertible Debentures	INE572J07752	05-Sep-2024	10.75%	15-Apr-2027	50.00	CARE BBB+; Stable
Debentures-Non Convertible Debentures	INE572J07711	12-Sep-2024	9.84%	28-Jun-2026	100.00	CARE BBB+; Stable
Debentures-Non Convertible Debentures	INE572J07737 R1	13-Aug-2024	10.50	14-Apr-2027	50.00	CARE BBB+; Stable
Fund-based - LT-Term Loan	-	-	-	01-Sept-2027	800.00	CARE BBB+; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History				
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	
1	Commercial Paper-Commercial Paper	ST	100.00	CARE A2	1)CARE A2+ (11-Jun-25) 2)CARE A1 (04-Apr-25)	1)CARE A1 (03-Feb-25) 2)CARE A1+ (27-Dec-24) 3)CARE A1+ (30-Sep-24)	1)CARE A1+ (21-Mar-24)	-	
2	Debentures-Non Convertible Debentures	LT	500.00	CARE BBB+; Stable	1)CARE A-; Stable (11-Jun-25) 2)CARE A; Negative (04-Apr-25)	1)CARE A; Negative (03-Feb-25) 2)CARE A+; Negative (27-Dec-24) 3)CARE A+; Stable (30-Sep-24)	1)CARE A+; Stable (21-Mar-24)	-	
3	Fund-based - LT-Term Loan	LT	800.00	CARE BBB+; Stable	1)CARE A-; Stable (11-Jun-25) 2)CARE A; Negative (04-Apr-25)	1)CARE A; Negative (03-Feb-25) 2)CARE A+; Negative (27-Dec-24) 3)CARE A+; Stable (30-Sep-24)	1)CARE A+; Stable (21-Mar-24)	-	
4	Debentures-Non Convertible Debentures	LT	200.00	CARE BBB+; Stable	1)CARE A-; Stable (11-Jun-25) 2)CARE A; Negative (04-Apr-25)	1)CARE A; Negative (03-Feb-25) 2)CARE A+; Negative (27-Dec-24) 3)CARE A+; Stable (30-Sep-24)	-	-	

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper	Simple
2	Debentures-Non Convertible Debentures	Simple
3	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Criss Financial Limited	Full	Subsidiary
2	Caspian Financial Services Limited	Full	Wholly owned Subsidiary

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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