

SPANDANA SPHOORTY FINANCIAL LIMITED

December 18, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	800.00	CARE BBB+; Stable	Reaffirmed
Non Convertible Debentures	280.00	CARE BBB+; Stable	Assigned
Non Convertible Debentures	450.00 (Reduced from 500.00)	CARE BBB+; Stable	Reaffirmed
Non Convertible Debentures	150.00 (Reduced from 200.00)	CARE BBB+; Stable	Reaffirmed
Commercial Paper	100.00	CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to debt instruments of Spandana Sphoorty Financial Limited (SSFL) factors in its adequate capitalisation profile as it reported a total capital to risk weighted assets ratio (CRAR) of 36.5% and gearing of 2.1x as on September 30, 2025. SSFL's credit profile is also supported by its adequate liquidity profile with on-balance sheet liquidity of ₹1,179 crore as on September 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.

The ratings, however, are constrained by its weak profitability and deteriorated asset quality metrics. SSFL reported a net loss of ₹609 crore in H1FY2026, as against a loss of ₹161 crore reported in H1FY2025. Further, its stage 2 and stage 3 assets remained elevated at 10.3% (cumulatively) as on September 30, 2025 after writing off ₹1060 crore (~16.85% of loan book as on March 31, 2025) during H1FY26. The ratings also take into account SSFL's continued decline in scale of operations with a degrowth of ~61% (y-o-y) in H1 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.

CareEdge Ratings also note that SSFL is in continued breach of some financial covenants in respect of its borrowings cumulatively amounting to ₹306 crore {this comprises ₹219 crore of non-convertible debentures (NCDs) and ₹88 crore of term loans from bankers and other lenders}, with an option of accelerated payment. While debenture holders of NCDs worth ₹200 crore and term loan from bankers/NBFCs worth ₹19 crore have given waiver for complying with the covenants in breach, debenture holders holding NCD worth ₹18.77 crore had exercised early redemption in H1 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 September 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.

Simultaneously, CARE Ratings has withdrawn the outstanding ratings of 'CARE BBB+; Stable assigned to the Non-Convertible Debentures bearing ISIN INE572J07737 and INE572J07737 R1 of SSFL with immediate effect, owing to full redemption and in line with CARE Ratings' policy on withdrawal of credit ratings.

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

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

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.

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's performance will gradually scale up its operations with gradual improvement in its earning profile while maintaining adequate capitalisation levels and healthy on-book liquidity.

Detailed description of key rating drivers:

Key strengths

Adequate capitalisation profile

SSFL's capitalisation profile remains adequate with CRAR of 36.4% and gearing (on-book debt / TNW) of 2.1x as on September 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 ₹1,536 crore in September 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 September 30, 2025. CareEdge Ratings expects its gearing to remain below 4x levels in near term.

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 ₹242 crore (6.2% of portfolio) and gross stage 2 (GS2) assets of ₹157 crore (4.1%) as on September 30, 2025, as compared to ₹354 crore (5.6%) and ₹578 crore (9.2%), respectively, as on March 31, 2025, after writing off ₹1060 crore in H1FY26. While its GS2 has declined in Q2FY26, its asset quality will remain key monitorable. Its current bucket collection efficiency (CE) stood at 98.7% in September 2025 as compared to 98.6% in March 2025 and 97.9% in June 2025, indicating an improvement in forward flow. Furthermore, the entity was carrying a healthy provision cover (PCR) of 79% on its GS3 and ~47% on its GS2 as on September 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 slippages and gross stress have optically increased in Q2FY26, owing to muted growth and disbursements in Q1FY26 and consequent lower loan book base, though, in absolute terms, the same have decreased in Q2FY26.

The continued weakening of its asset quality and higher write offs has adversely impacted its earnings profile. SSFL's credit cost in H1 FY2026 remained elevated at 20.9% (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 12.3% (annualised) in H1 FY2026 as compared to 8.3% in FY2025. However, with optimisation measures taken w.r.t. branch consolidation/ closure, manpower rationalisation and overheads reduction at HO level, CareEdge Ratings notes that the same is expected to improve going forward.

Its earnings profile in H1 FY2026 was also impacted by reversal of interest income to the tune of ₹83-odd crore, leading to a compression in its margins; SSFL's net interest margin (NIM) to ATA ratio declined to 7.2% (annualised) in H1 FY2026 from 11.9% in FY2025. 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 ₹609 crore in H1 FY2026, translating into return on average total assets (RoTA) of -18.8% (annualised) and return on average tangible net worth (RoNW) of -66.4% (annualised). While gradual improvement in its earnings profile is expected, however, CareEdge Ratings expects the company to report losses for a couple of more quarters.

Moderate funding profile

SSFL has raised ~₹722 crore in FY2026 year till date from various sources including term loans from NBFCs and private banks, Direct Assignment and PTCs at a blended incremental cost of 11.49%. 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 ₹306 crore (~₹219 crore of NCDs and ~₹87 crore of term loans from other lenders including banks), with an option of accelerated payment. While debenture holders of NCDs worth ₹200 crore and term loan from bankers/NBFCs worth ~₹19 crore have given waiver for complying with the covenants in breach, debenture holders holding NCD worth ₹4.54 crore had exercised early redemption in Q2 and Q3 FY2026 till date. 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 ₹1,179 crore as on September 30, 2025 on a consolidated basis. Against this, SSFL's debt obligation for the next one year stood at ₹ 2,856 crore as per its asset-liability management (ALM) statement and scheduled collections of ₹ 2,700 crore for the same period. By stressing its CE at 80% (actual CE of 98.5% from current book in Oct'2025) from standard book and nil collections from NPA book, its liquidity is adequate for up to 2 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 ₹306 crore (out of which SSFL has received waiver for ₹219 core debt) as on September 30, 2025, nonetheless, SSFL continues to carry sufficient on-book liquidity. The 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.

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Short Term Instruments](#)

[Withdrawal Policy](#)

[Consolidation](#)

[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 September 30, 2025, the company operates in 19 states and 1 union territory with consolidated AUM of ₹4088 crore.

Brief Financials (₹ crore) (consolidated)	March 31, 2024 (A)	March 31, 2025 (A)	H1 FY2026 (UA)
Total income	2,511	2,424	544
Profit after tax (PAT)	501	-1,035	-609
Assets under management (AUM)	11,973	6,819	4,088
On-book gearing (x)	2.70	2.65	2.14
AUM / tangible net-worth (TNW) (x)	3.43	3.19	2.66
Gross non-performing assets (NPA) / gross stage 3 (%)	1.68%	6.22%	6.23%
Return on managed assets (ROMA) (%)	4.25%	-8.82%	-17.74%
Capital adequacy ratio (CAR) (%)	31.95%	37.10%	36.48%

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

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	Proposed	-	-	-	280.00	CARE BBB+; Stable
Debentures-Non Convertible Debentures	INE572J07729	10-Jul-2024	10.75%	10-Jul-2026	55.00	CARE BBB+; Stable
Debentures-Non Convertible Debentures	INE572J07737	14-Aug-2024	10.50%	14-Apr-2027	0.00	Withdrawn
Debentures-Non Convertible Debentures	INE572J07737 R1	13-Aug-2024	10.50	14-Apr-2027	0.00	Withdrawn
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	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
Fund-based - LT-Term Loan	NA	-	-	23-Apr-2027	800.00	CARE BBB+; Stable

NA: Not Applicable

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 (28-Aug-25) 2)CARE A2+ (11-Jun-25) 3)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	450.00	CARE BBB+; Stable	1)CARE BBB+; Stable (28-Aug-25) 2)CARE A-; Stable (11-Jun-25) 3)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 BBB+; Stable (28-Aug-25) 2)CARE A-; Stable (11-Jun-25) 3)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	150.00	CARE BBB+; Stable	1)CARE BBB+; Stable (28-Aug-25) 2)CARE A-; Stable (11-Jun-25) 3)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)	-	-
5	Debentures-Non Convertible Debentures	LT	280.00	CARE BBB+; Stable				

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 (Carved out)	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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