



Ref: SSFL/Stock Exchange/2024-25/031

Date: June 24, 2024

To  
BSE Limited,  
Department of Corporate Services  
P. J. Towers, 25<sup>th</sup> Floor,  
Dalal Street,  
Mumbai - 400001

To  
National Stock Exchange of India Limited,  
Listing Department  
Exchange Plaza, C-1, Block G  
Bandra Kurla Complex, Bandra (E)  
Mumbai - 400051

Scrip Code: 542759

Symbol: SPANDANA

Dear Sir/Madam,

**Subject: Intimation of Credit Rating- Ratings upgraded to IND A+ / Stable by India Ratings & Research.**

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform that India Ratings & Research has upgraded the ratings for various instruments of the Company as detailed below:

S. No.	Instrument Type	Rated Amount (Rs. billion)	Rating Action
1.	Long-term bank loans	20.00	IND A+/ (Stable); rating upgraded from IND A to IND A+ with outlook as Stable
2.	Non-convertible debentures	19.05 (reduced from 21.30)	IND A+/ (Stable); rating upgraded from IND A to IND A+ with outlook as Stable
3.	Principal protected market-linked debentures	9.20	Rating withdrawn upon maturity of instrument
4.	Commercial Paper <sup>^</sup>	5.00	Rating withdrawn upon request by the Company

<sup>^</sup>Commercial Paper limit was unutilized.

Please find enclosed rationale as published by India Ratings & Research on June 24, 2024.

Kindly take the same on record.

Thanking You.

Yours Sincerely,

**For Spandana Sphoorty Financial Limited**

Vinay  
Prakash  
Tripathi  
Company Secretary

Digitally signed by  
Vinay Prakash Tripathi  
Date: 2024.06.24  
20:55:05 +05'30'

Encl: as above

**Spandana Sphoorty Financial Limited**

CIN - L65929TG2003PLC040648

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# India Ratings Upgrades Spandana Sphoorty Financial's NCDs and Bank Loans to 'IND A+/Stable; Withdraws PP-MLD and CP Ratings

Jun 24, 2024 | 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	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating assigned along with Outlook/Watch	Rating Action
Commercial paper#	-	-	-	INR5.00	WD	Withdrawn
Principal protected market-linked debentures*	-	-	-	INR9.20	WD	Withdrawn
Non-convertible debentures*	-	-	-	INR19.05 (reduced from INR21.30)	IND A+/Stable	Upgraded
Long-term bank loans	-	-	-	INR20.00	IND A+/Stable	Upgraded

\*Details in annexure

#unutilised

The rating of the market-linked debentures is an ordinal assessment of the underlying credit risk of the instrument and does not factor in the market risk that investors in such instruments will assume. This market risk stems from the fact that coupon payment on the instrument will be based on the performance of a reference index or equity share detailed in the information memorandum of the issue.

PP-MLD refers to full principal protection in the equity-linked notes, wherein the issuer is obligated to pay the full principal upon maturity.

Ind-Ra is no longer required to maintain the rating on the market-linked debentures as the instrument has been paid in full. Also, Ind-Ra is no longer required to maintain the rating of the commercial paper programme, as the agency has received a withdrawal request from the issuer. This is consistent with Ind-Ra's Policy on Withdrawal of Ratings.

## Analytical Approach

Ind-Ra has taken a fully consolidated view of Spandana and its subsidiaries Criss Financial Limited: holds 99.90%; IND A/Stable and Caspian Financial Services Limited: holds 100.0% to arrive at the ratings owing to the strategic and operational linkages between them.

## Detailed Rationale of the Rating Action

The ratings factor in Spandana's geographically diversified loan portfolio with steady growth in the loan portfolio, improving trend in its asset quality and the profitability and a healthy capitalisation profile supported by regular equity infusions. The ratings also factor in the improvement in Spandana's funding profile with a steady moderation in the cost of borrowings. However, Ind-Ra notes that although the overall cost of borrowings remains higher than its peers, the ability of the company to further diversify the funding profile and raise debt at improved rates vis-à-vis its peers will remain a key rating monitorable. The ratings remain vulnerable to risks associated with the microfinance business, including its modest borrower profile. This is, however, 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 enables risk-based pricing for the industry.

## List of Key Rating Drivers

### Strengths

- Improving scale of operations; geographically diversified portfolio
- Improving trend in asset quality and earnings profile
- Healthy capitalisation profile

### Weaknesses

- Further scope to improve funding profile
- Sectoral risk associated with microfinance segment

## Detailed Description of Key Rating Drivers

**Improving Scale of Operations; Geographically Diversified Portfolio:** Spandana's consolidated assets under management (AUM) expanded at cumulative annual growth rate of 34.9% over FY22-FY24 and stood at INR119,730 million as of March 2024 (March 2023: INR85,110 million; 40.7% yoy growth). The growth in AUM was supported by disbursements and borrower additions in the geographies beyond the core areas of operations. With the addition of about 88 million borrowers in FY24 (FY23: 139 million), the consolidated borrower base stood at 332 million as of March 2024, with the average loan ticket size per borrower remaining low at about INR36,000. Ind-Ra notes that the company is slowly transitioning to a weekly cycle (10.7% of the portfolio as of March 2024), which enables closer engagement with the borrowers. As per its medium-term growth plan, Spandana aims its consolidated AUM to touch INR150,000 million by end-FY25 and INR280,000 million by end-FY28, supported by portfolio expansion in non-core geographies and diversification into new asset segments.

The company's loan operations are spread across 20 states and 1,642 branches on a consolidated basis (20 states and 1,559 branches on a standalone basis) as of March 2024. On a standalone basis, its top state, Odisha accounted for 14.3% of the AUM and the share of the top three states, including Madhya Pradesh and Bihar, stood at 39.2% as of March 2024 (March 2023: 16.8% and 42.8%; March 2021: 19.3% and 50.5%). As of March 2024, no state accounted for more than 15% of the overall standalone AUM. With its portfolio expansion in the focus states identified by the management, Ind-Ra expects the single state concentration to reduce further.

**Improving Trend in Asset Quality and Earnings Profile:** Spandana's consolidated gross stage 3 assets and net stage 3 assets reduced to 1.7% and 0.3%, respectively, as of March 2024 (March 2023: 2.2% and 0.7%; March 2022: 18.6% and 11.4%). The improvement in the asset quality was supported by the write-offs and the sale of the stressed loan portfolio to an asset reconstruction company in FY23. The company incrementally wrote off INR946.5 million in FY24 and its provision coverage ratio against the gross stage 3 assets increased to 79.8% in FY24 (FY23: 69.1%; FY22: 43.9%).

Ind-Ra notices the improving trend in Spandana's earnings profile with its consolidated reported profit after tax surging to INR5,007.2 million in FY24 (FY23: INR123.9 million), translating into a return on assets of 4.5% (0.2%), supported by the improvement in its portfolio yield as the company revised its lending rates in FY23 following the revised regulatory guidelines, and the moderation in credit costs (FY24: 2.7%; FY23: 7.1%).

**Healthy Capitalisation Profile:** The company continues to maintain a healthy capitalisation profile with a consolidated net worth (adjusted for deferred tax assets, intangibles and goodwill) of INR34,898 million in FY24 (FY23: INR28,803 million; FY22: INR28,813 million). Its standalone capital adequacy ratio remained above the regulatory benchmark of 15% and stood at 32% in FY24 (FY23: 37%; FY22: 51%), supported by regular equity infusions (last round in FY22). Its consolidated leverage stood at 2.7x in FY24 (FY23: 2.1x; FY22: 1.3x). Ind-Ra expects the company to maintain the leverage below 4x over the medium term.

**Further Scope to Improve Funding Profile:** Spandana's funding profile has improved in the past five quarters characterised by an increase in the lender base and steady moderation in the marginal cost of borrowing. In FY24, Spandana had lending relationships with 26 banks including four public sector banks, 28 financial institutions and non-banking finance companies (NBFCs) and one foreign private investor on a consolidated basis.

The company on a consolidated basis raised INR104,413 million in FY24 (FY23: INR57,748 million) from the existing as well as new lenders. The marginal cost of borrowings for Spandana moderated over the past six quarters to 11.9% as of March 2024 (March 2023 and September 2022: 12.6%). Spandana's cost of borrowing, however, remained higher than some of the industry peers. The share of bank funding improved to 52% as of March 2024 (March 2023: 45%; March 2021: 68%). It will be crucial for Spandana to further strengthen and diversify its borrowing profile and avail funding at improved rates as it scales up its AUM.

**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.

## Liquidity

**Adequate:** Spandana's unencumbered cash position stood at INR13,855 million at FYE24 and the company further had unutilised sanctions of INR6,930 million. Spandana's total debt obligations between April 2024 and June 2024 stood at INR23,947 million. The cash position as of March 2024 along with the unutilised sanctions was sufficient to cover the debt obligations for April 2024 and May 2024; the average monthly collection over the next few months is estimated to be INR8,000 million-8,500 million which further supports the liquidity profile of the company.

## Rating Sensitivities

**Positive:** A significant scale-up in the AUM with geographical diversification, a sustained improvement in the asset quality and the earnings profile and a significant diversification in the funding profile could lead to a positive rating action.

**Negative:** The inability to deliver on franchise growth expectations, a weakening in the profitability, funding challenges, leading to a dilution in liquidity, and a moderation in the capitalisation profile with the leverage exceeding 4.0x, all on a sustained basis, could lead to a negative rating action.

## Any Other Information

**Standalone Financials:** Spandana's total tangible assets and total tangible equity (total assets and equity adjusted for deferred tax assets and intangibles), stood at IN1,27,431 million and INR34,295 million as of March 2024 (INR89,920 million and INR28,496 million as of March 2023). The net profit and return on average assets stood at INR 4,679 million and 4.3% for FY24 (INR 123 million and 0.2% for FY23).

## 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. Spandana was listed on the stock exchange in August 2019 post the initial public offering of its equity shares. As on 31 March 2024, Spandana had operations in 20 states/union territories spanning across more than 400 districts in 1,642 branches with an outstanding AUM of INR119,730 million.

## Key Financials Indicators

Particulars (INR million)	FY24	FY23
Total tangible assets*	1,32,274	91,636
Total tangible equity*	34,898	28,803
Net profit	5,007	124
Return on average assets (%)	4.5	0.2
Equity/assets (%)	26.4	31.4
Total capital ratio (%)	31.3	36.3

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.

## 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	11 Sep 2023	30 May 2023	19 January 2023	20 December 2022	13 September 2022	25 August 2022	15 December 2021	28 July 2021	14 June 2021
NCDs	Long-term	INR19.05	IND A+/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Rating watch with Negative implications	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	IND PP-MLD Aemr/Rating watch with Negative implications	IND PP-MLD Aemr/Stable	IND PP-MLD Aemr/Stable
Bank loans	Long-term	INR20.00	IND A+/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Rating watch with Negative implications	IND A/Stable	IND A/Stable
Commercial papers	Short-term	INR5.00	WD	IND A1	IND A1	IND A1	-	-	-	-	-	-

## Bank wise Facilities Details

[Click here to see the details](#)

## Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Principal protected market-linked debentures *	High
Non-convertible debentures	Low
Bank loans	Low
Commercial papers	Low

\*Instrument characterised by underlying market risk

## Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (INR billion)	Rating/ Outlook
NCD	INE572J07349	31 March 2021	12.5	31 December 2024	0.25	INDA+/Stable
NCD	INE572J07356	31 March 2021	12.5	15 September 2024	0.20	INDA+/Stable
NCD	INE572J07398	24 March 2022	11.85	24 March 2028	0.35	INDA+/Stable
NCD	INE572J07406	16 June 2022	12.6	30 June 2024	0.40	INDA+/Stable
NCD	INE572J07448	20 October 2022	12	20 October 2024	0.60	INDA+/Stable
NCD	INE572J07489	08 December 2022	11.35	08 September 2024	1.00	INDA+/Stable
NCD	INE572J07505	22 December 2022	11.5	20 December 2024	0.65	INDA+/Stable
NCD	INE572J07513	30 December 2022	11.35	30 December 2025	1.00	INDA+/Stable
NCD	INE572J07547	17 March 2023	10.5	17 March 2025	1.25	INDA+/Stable
NCD	INE572J07554	10 April 2023	10.25	25 May 2026	0.25	INDA+/Stable
NCD	INE572J07562	24 April 2023	11.1	24 April 2025	1.00	INDA+/Stable
NCD	INE572J07570	24 April 2023	11.1	24 April 2026	0.05	INDA+/Stable
NCD	INE572J07588	12 June 2023	10	12 June 2025	0.75	INDA+/Stable
NCD	INE572J07596	20 June 2023	10.1	20 June 2025	1.25	INDA+/Stable
NCD	INE572J07604	24 August 2023	10.6	24 February 2025	0.80	INDA+/Stable
NCD	INE572J07612	04 September 2023	10.75	04 September 2026	0.30	INDA+/Stable
NCD	INE572J07620	07 September 2023	10.43	07 March 2025	1.00	INDA+/Stable
NCD	INE572J07612	26 September 2023	10.75	04 September 2026	0.30	INDA+/Stable
NCD	INE572J07612	26 October 2023	10.75	04 September 2026	0.40	INDA+/Stable
NCD	INE572J07646	06 October 2023	10.75	24 March 2025	0.75	INDA+/Stable
NCD	INE572J07638	06 October 2023	10.75	22 September 2025	0.50	INDA+/Stable
NCD	INE572J07653	18 December 2023	10.11	18 December 2025	1.00	INDA+/Stable
NCD	INE572J07653	18 January 2024	10.11	18 December 2025	1.00	INDA+/Stable
NCD	INE572J07661	13 February 2024	10.75	13 August 2025	1.00	INDA+/Stable
NCD	INE572J07679	07 March 2024	10.75	03 April 2026	0.70	INDA+/Stable
NCD	INE572J07695	21 March 2024	10.75	21 December 2026	0.50	INDA+/Stable
NCD	INE572J07687*	30 December 2022	11.35	30 April 2025	1.00	INDA+/Stable
NCD	INE572J07430	30 September 2022	11.95	30 March 2024	0.25	WD(paid in full)
NCD	INE572J07455	09 November 2022	11.50	09 May 2024	0.25	WD(paid in full)
NCD	INE572J07463	09 November 2022	11.50	09 May 2024	0.25	WD(paid in full)
NCD	INE572J07497	15 December 2022	11.50	18 December 2023	0.50	WD(paid in full)
NCD	INE572J07521	30 December 2022	11.35	01 March 2024	1.00	WD(paid in full)
				<b>Utilised limits</b>	18.25	
				<b>Unutilised Limits</b>	0.80	
				<b>Total Limits</b>	19.05	

Source: Company; NSDL; \*ISIN no. INE572J07539 has been merged with ISIN No. INE572J07687

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (INR billion)	Rating/Outlook
PP-MLD	INE572J07299	29 December 2020	11.50	29 December 2023	0.83	WD (paid in full)
PP-MLD	INE572J07372	16 June 2021	11.00	16 December 2023	3.38	WD (paid in full)
PP-MLD	INE572J07422	9 September 2022	10.75	1 April 2024	0.60	WD (paid in full)
PP-MLD	INE572J07422	23 September 2022	10.75	1 April 2024	0.40	WD (paid in full)
PP-MLD	INE572J07471	22 November 2022	11.15	22 May 2024	2.00	WD (paid in full)
PP-MLD	INE572J07471	16 December 2022	11.15	22 May 2024	2.00	WD (paid in full)

Source: Company; NSDL

## APPLICABLE CRITERIA

### Non-Bank Finance Companies Criteria

#### Evaluating Corporate Governance

#### The Rating Process

### Financial Institutions Rating Criteria

## Contact

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

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