

April 30, 2024

## Spandana Sphoorty Financial Limited: Ratings upgraded for PTCs issued under microfinance loan securitisation transactions

### Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Amount after Mar-24 Payout (Rs. crore)	Rating Action
Striker ABSP 100 01 2023	PTC Series A1	58.73	NA	6.43	[ICRA]AAA(SO); Upgraded from [ICRA]A+(SO)
Nimbus 2023 MFI Cosmos	PTC Series A1	41.01	NA	12.60	[ICRA]AA+(SO); Upgraded from [ICRA]AA-(SO)
Speedo AXSP 03 2023	PTC Series A1	227.09	NA	29.55	[ICRA]AAA(SO); Upgraded from [ICRA]AA(SO)

\*Instrument details are provided in Annexure I

### Rationale

ICRA has upgraded the ratings for the pass-through certificates (PTCs) issued under the securitisation transactions, Striker ABSP 100 01 2023, Nimbus 2023 MFI Cosmos and Speedo AXSP 03 2023, backed by pools of microfinance loan receivables originated by Spandana Sphoorty Financial Limited {SSFL; rated [ICRA]A (Positive)}. The ratings have been upgraded on account of the high amortisation, which has led to the build-up of the credit enhancement (CE) cover over the future PTC payouts. The ratings draw comfort from the fact that the breakeven collection efficiency is comfortable compared to the actual collection levels observed in the pools till the March 2024 payout month.

### Pool performance summary

A summary of the performance of the pools till the February 2024 collection month (March 2024 payout) is tabulated below.

Parameter	Striker ABSP 100 01 2023	Nimbus 2023 MFI Cosmos	Speedo AXSP 03 2023
Months post securitisation	13	12	12
Pool amortisation	80.79%	60.94%	76.50%
PTC Series A1 amortisation	89.06%	69.28%	86.99%
Cumulative collection efficiency <sup>1</sup>	97.84%	99.43%	99.00%
Cumulative prepayment rate	13.49%	6.91%	14.47%
Loss-cum-30+ days past due (dpd) <sup>2</sup> (% of initial pool)	2.27%	0.99%	1.14%
Loss-cum-90+ dpd <sup>3</sup> (% of initial pool)	1.76%	0.42%	0.68%
Cumulative cash collateral (CC) utilisation	0.00%	0.00%	0.00%
CC available (as % of balance pool)	36.43%	17.92%	42.55%
Excess interest spread (EIS <sup>4</sup> ; % of balance pool)	3.83%	7.33%	6.18%
Principal subordination (% of balance pool) PTC Series A1	48.73%	30.79%	51.28%
Breakeven collection efficiency <sup>5</sup> for PTC Series A1	15.02%	48.62%	6.46%

<sup>1</sup> (Cumulative current and overdue collections till date)/(Cumulative billing till date + Opening overdues at the start of the transaction)

<sup>2</sup> Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 30 days, as a % of Initial pool principal

<sup>3</sup> Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 90 days, as a % of Initial pool principal

<sup>4</sup> (Pool cash flows – Cash flows to PTC investors – Originator's residual share)/Pool principal outstanding

<sup>5</sup> (Balance cash flows payable to investor – CC available)/Balance pool cash flows

## Key rating drivers

### Credit strengths

- High amortisation of pools, resulting in build-up of credit enhancement cover available for the balance PTC payouts
- Healthy collections and low delinquencies observed in the pools

### Credit challenges

- Performance of pools would remain exposed to natural calamities that may impact the income generating capability of the borrower, given the marginal borrower profile; further, performance of pools would also be exposed to political and communal risks
- Performance of the pools would remain exposed to macro-economic shocks / business disruptions, if any

## Description of key rating drivers highlighted above

The performance of the pools has been healthy with a cumulative collection efficiency of more than 97.8% as of the March 2024 payout month. The monthly collection efficiency has exceeded 95% in all the months post securitisation. The loss cum 30+ dpd and loss cum 90+ dpd has been slightly higher in the Striker ABSP 100 01 2023 pool as compared to the Nimbus 2023 MFI Cosmos and Speedo AXSP 03 2023 pools. This is due to higher share of certain weak performing states in the balance pool. There has been no cash collateral (CC) utilisation in the transactions till date in any of the payouts. Strong collections and healthy pool amortisation have led to significant build-up of the CE and low breakeven collection efficiency. The average monthly prepayment rate has been moderate at 0.6-1.3% for the pools. Overall, the CE available for meeting the balance payouts to the investors is sufficient to upgrade the ratings to the current level in the transactions. ICRA will continue to monitor the performance of the pools. Any further rating actions will be based on the performance of the pools and the availability of CE relative to ICRA's expectations.

The pools' performance would remain exposed to macro-economic shocks/business disruptions. Given the marginal borrower profile, the performance would also be exposed to natural calamities and political and communal risks.

**Performance of past rated pools:** In the past, ICRA has rated 43 microfinance loan receivable pools originated by SSFL. For the live pools, there has been no CC utilisation till date, with a cumulative collection efficiency of more than 98% and a loss-cum-90+ dpd of less than 2.0% as of the March 2024 payout month.

## Key rating assumptions

ICRA's cash flow modelling for the surveillance of asset-backed securitisation (ABS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the balance tenor of the pool) and prepayments in the pool. The assumptions for the loss and coefficient of variation (CoV) are arrived at after taking into account the past performance of the originator's portfolio and rated pools as well as the performance and characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor in the current operating environment and any industry-specific factors that ICRA believes could impact the performance of the underlying pool of contracts.

After making these adjustments, the expected loss and prepayments during the balance tenure of the pools are provided in the table below.

Sr. No.	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1	Striker ABSP 100 01 2023	1.0-2.0%	3.0-9.0% p.a.
2	Nimbus 2023 MFI Cosmos	1.75-2.25%	3.0-9.0% p.a.
3	Speedo AXSP 03 2023	1.0-2.0%	3.0-9.0% p.a.

## Liquidity position: Superior

The liquidity for the PTC instruments is superior after factoring in the credit enhancement available to meet the promised payouts to the investors. The total credit enhancement is greater than 10 times the estimated loss for the pools.

## Rating sensitivities

**Positive factors** – Not applicable for Striker ABSP 100 01 2023 and Speedo AXSP 03 2023. For Nimbus 2023 MFI Cosmos, the rating may be upgraded once CC fully covers the future PTC payouts.

**Negative factors** – Sustained weak collection performance of the underlying pools, leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a ratings downgrade. Weakening in the credit profile of the servicer could also exert pressure on the ratings.

## Analytical approach

The rating action is based on the performance of the pools till February 2024 (collection month), the present delinquency profile of the pool, the CE available in the transaction, and the performance expected over the balance tenure of the pools.

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

## About the originator

Spandana Sphoorty Financial Limited (SSFL) was incorporated in 2003 as a non-banking financial company (NBFC) and it took over the microfinance operations of Spandana, a non-governmental organisation, which was started in 1998. The company was classified as an NBFC-microfinance institution (NBFC-MFI) in 2015. Following the microfinance crisis in Andhra Pradesh (AP), the company 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 an equity investment led by Kedaara Capital Investment Managers Limited (Kedaara Capital) and fresh funding from three banks. SSFL completed its initial public offering (IPO) in August 2019. The current leadership team is led by Mr. Shalabh Saxena (Managing Director & Chief Executive Officer) and Mr. Ashish Damani (President & Chief Financial Officer). The company has a 10-member board of directors, including 5 independent directors.

## Key financial indicators

Standalone	FY2022	FY2023	H1 FY2024
Total income	1,350.8	1,355.8	1,105.1
Profit after tax	46.6	12.3	227.4
Total managed assets	7,985.5	9,933.3	11,862.1
Gross stage 3 assets	18.9%	1.9%	1.3%
CRAR	50.7%	36.9%	37.0%

Source: Company data, ICRA Research; Amount in Rs. crore; All ratios as per ICRA's calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Sr. No.	Trust Name	Current Rating (FY2025)				Chronology of Rating History for the past 3 years			
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	
					April 30, 2024	April 20, 2023	February 20, 2023	-	
1	Striker ABSP 100 01 2023	PTC Series A1	58.73	6.43	[ICRA]AAA(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	

Sr. No.	Trust Name	Current Rating (FY2025)				Chronology of Rating History for the past 3 years			
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	
					April 30, 2024	April 25, 2023	March 09, 2023	-	
2	Nimbus 2023 MFI Cosmos	PTC Series A1	41.01	12.60	[ICRA]AA+(SO)	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-	

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					April 30, 2024	April 20, 2023	April 03, 2023	-	-
3	Speedo AXSP 03 2023	PTC Series A1	227.09	29.55	[ICRA]AAA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-

### Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Striker ABSP 100 01 2023	PTC Series A1	Moderately Complex
Nimbus 2023 MFI Cosmos	PTC Series A1	Moderately Complex
Speedo AXSP 03 2023	PTC Series A1	Moderately Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

Trust Name	Instrument Type	Date of Issuance	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Rating
<b>Striker ABSP 100 01 2023</b>	PTC Series A1	February 2023	11.00%	August 2024	6.43	[ICRA]AAA(SO)
<b>Nimbus 2023 MFI Cosmos</b>	PTC Series A1	March 2023	10.00%	November 2024	12.60	[ICRA]AA+(SO)
<b>Speedo AXSP 03 2023</b>	PTC Series A1	March 2023	10.60%	December 2024	29.55	[ICRA]AAA(SO)

\*Scheduled maturity at transaction initiation; may change on account of prepayments  
Source: Company

**Annexure II: List of entities considered for consolidated analysis**

Not Applicable

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