

SPANDANA SPHOORTY

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Underperformer
Price (INR)	240
12 month price target (INR)	260
52 Week High/Low	610/184
Market cap (INR bn/USD bn)	17/0.2
Free float (%)	44.8
Avg. daily value traded (INR mn)	96.5

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	48.1%	48.1%	48.1%
FII	19.8%	19.8%	21.7%
DII	5.7%	6.5%	6.3%
Pledge	0.0%	0.0%	0.0%

FINANCIALS

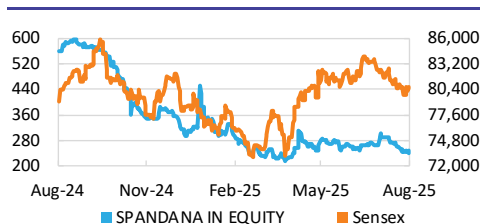
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	15840	14918	10614	13153
PPoP	9300	6075	1557	3037
Adjusted profit	5008	(10352)	(2943)	682
Diluted EPS (INR)	70.2	(145.2)	(41.3)	9.6
EPS growth (%)	3923.3	nm	(0.7)	nm
RoAE (%)	14.8	(33.0)	(11.8)	2.9
P/E (x)	3.4	nm	nm	25.1
P/ABV (x)	0.5	0.7	0.7	0.7

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	10,614	13,153	0.0%	0.0%
PPoP	1,557	3,037	0.0%	0.0%
Adjusted profit	-2,943	682	0.0%	0.0%
Diluted EPS (INR)	-41.28	9.56	0.0%	0.0%

PRICE PERFORMANCE



Q1FY26 weaker than peers

Spandana reported a net loss of INR3.6bn for Q1FY26—versus a loss of INR4.3bn QoQ—driven by a sharp decline in AUM/disbursals, elevated stress loans and pressure on NIM from reversals and slower growth. Forward flows into stress buckets remain high. Management explained that as the X bucket CE continues to improve, forward flows shall ease and the company would return to profitability in H2FY26E. X bucket CE improved from 96.9% in Apr-25 to 98.5% in Jul-25.

Spandana's performance is weaker than peers, which appear to be turning around faster. We are cutting the TP to INR260/0.8x BV FY26E from INR300; maintain 'HOLD'. The guidance is for 20% AUM growth. The company has raised confidence capital.

Elevated forward flows but improvement in X bucket CE

In value terms, stage 1 decreased 26% QoQ, stage 2 by 38% QoQ and stage 3 by 29% QoQ. Even with the decline, stress remains elevated. Stage 1 ratio stood at 3.2% versus 2.6% QoQ, stage 2 at 7.9% versus 9.2% QoQ and stage 3 at 5.5% versus 5.6% QoQ. ECL/EAD stood at 9% versus 9.6% QoQ. Forward flows remain elevated with forward flows into SMA1 and NPLs higher in Jul-25 than Apr-25. X bucket CE improved from 96.9% in Apr-25 to 97.9% in Jun-25 and 98.5% in Jul-25. The proportion of Spandana +2 lenders stands at 27.9% in Jul-25, higher than 20% in Dec-24, while Spandana +>=3 stood at 21%. The company has introduced strict guardrails. They have stopped lending to new to credit borrowers and do not given new loans to borrowers with 30+ DPD. It has taken measures to improve recovery and CE.

Sharp sequential decline in AUM and NII with elevated opex

AUM fell 27% QoQ/58% YoY. Disbursals declined 23% QoQ. Yield decreased 130bp QoQ due to interest reversals. NIM slid 250bp QoQ. NII plunged 37% QoQ. Opex/AUM was elevated at 14% versus 11% QoQ. Operating profit fell off 334% QoQ. Provisions dipped 30% QoQ. The company posted a pre-tax loss of INR4.8bn and a post-tax loss of INR3.6bn. It has adequate liquidity of INR17.3bn. Spandana recently raised confidence capital from promoters and institutional investors.

Guidance

The company retains AUM growth guidance of 20% for FY26E though a decline in AUM in Q1FY26 was higher than expected. 50% of the customer base is eligible for fresh lending. Forward flows are high currently, but as the X bucket CE continues to improve, forward flows shall ease by Q3FY26E, which will help the company return to profitability.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	1,504	4,776	-68.5%	2,335	-35.6%
Pre-provisioning Profits	-587	2,869	-120.5%	251	-333.6%
Reported Profits	-3,602	557	-746.6%	-4,343	-17.1%
EPS	50.5	7.8	546.9%	-60.9	-182.9%

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Net interest income	13,113	12,621	8,020	10,224
Non interest income	2,727	2,298	2,594	2,929
Net revenues	15,840	14,918	10,614	13,153
Operating expense	6,540	8,843	9,058	10,116
Employee exp.	4,732	6,318	6,981	7,819
Other opex	1,808	2,525	2,077	2,297
Preprovision profit	9,300	6,075	1,557	3,037
Provisions	2,594	19,863	8,000	2,124
PBT	6,706	(13,788)	(6,443)	913
Taxes	1,699	(3,436)	(3,500)	231
PAT	5,008	(10,352)	(2,943)	682
Extraordinaries	0	0	0	0
Reported PAT	5,008	(10,352)	(2,943)	682
Diluted EPS (INR)	70.2	(145.2)	(41.3)	9.6

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Net interest margins	11.5	11.5	9.0	9.1
Tax rate	25.3	24.9	54.3	25.3

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted PE (x)	3.4	nm	nm	25.1
Price/BV (x)	0.5	0.7	0.7	0.7

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Equity capital	713	713	713	713
Reserves	35,736	25,620	22,676	23,358
Net worth	36,449	26,333	23,389	24,071
Borrowings	94,246	56,556	67,868	82,120
Other liabilities	3,130	2,046	2,246	2,465
Total	1,33,825	84,935	93,503	1,08,656
Assets				
Loans	1,10,143	57,084	70,784	84,941
Investments	1,118	1,098	1,018	1,232
Cash & equi.	18,941	18,438	13,288	13,970
Fixed assets	300	312	344	378
Other assets	3,323	8,004	8,069	8,135
Total	1,33,825	84,935	93,503	1,08,656
BV/share (INR)	511.2	369.3	328.0	337.6

Balance Sheet Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Credit growth	41.9	(48.2)	20.0	20.0
Gross NPA ratio	1.7	4.9	5.0	5.0

ROA Decomposition (%)

Year to March	FY24A	FY25A	FY26E	FY27E
NII/Assets	11.5	11.5	9.0	10.1
Net revenues/assets	13.9	13.6	11.9	13.0
Opex/Assets	(5.7)	(8.1)	(10.2)	(10.0)
Provisions/Assets	(2.3)	(18.2)	(9.0)	(2.1)
Taxes/Assets	(1.5)	3.1	3.9	(0.2)
Total costs/Assets	(9.5)	(23.1)	(15.2)	(12.3)
RoA	4.4	(9.5)	(3.3)	0.7
Equity/Assets	29.6	28.7	27.9	23.5
RoAE	14.8	(33.0)	(11.8)	2.9

Q1FY26 earnings call: Key takeaways

Management guidance

- Spandana continues to view FY26 as a year of rebuilding amid a prolonged phase of weak financial performance. After reporting four consecutive quarters of losses, management expects pain to continue for another quarter, with profitability expected to return Q3FY26E onwards.
- 20% AUM growth guidance reiterated, though dependent on stronger disbursements in H2FY26E.

Disbursements and AUM

- Disbursements for Q1FY26 were muted at INR2.8bn, reflecting a deliberate slowdown to allow for internal system/process reforms. However, July disbursements have already reached INR2.65bn, indicating a pickup.
- AUM fell sharply by 27% QoQ to INR49.58bn driven by both low disbursements and portfolio rundown. Management confirmed the run-down is nearing its end, and growth in AUM is expected to resume from Q3FY26 onward, driven by both eligible existing customers and new-to-credit customers.
- The company has identified pre-qualified borrowers in their base: about 50% of existing/dormant customers qualify under the new underwriting norms, with 85% of them having exposure < INR0.1mn and 65% with vintage over two years, leaving adequate base for growth.

Asset quality

- Collection efficiency in (CE) the X-bucket saw dips in Q1, declining to 96.9% in April and recovering to 97.9% by the end of the quarter and 98.5% in July. Forward flows from GNPA remain high at 85%, but management expects meaningful improvement starting Q3FY26E as top-of-the-bucket performance improves and forward flows taper.
- The company maintains a 500-plus strong collection team, aided by tech-enabled recovery initiatives (tele-calling, SMS with payment links, legal notices), and continues to push overdue recoveries, collecting INR410mn in Q1.
- Loans disbursed in FY26 are at 100% CE. Stricter norms enforced by the company include: a 12-month cooling-off period between loans (versus six months earlier), house visits corroborated by geo-tagging, liveliness checks, etc.
- Despite internal work and collaboration with credit bureaus, the company noted that standard bureau scores fail to correlate reliably with delinquencies. Spandana plans to build its own in-house credit scoring model in the future that factors in geography, activity-level data, and customer behaviour for better underwriting.

Other key points

- The board has initiated the CEO succession process, and expects closure within 30–45 days. Both internal and external candidates are being evaluated.

- Spandana closed an INR4bn rights issue, with full participation from promoters and some institutional investors. The capital raise has improved its CRAR to 46% on a consolidated basis.
- Employee headcount has reduced from 19,808 in Q3FY25 to 15,574 in Q1FY26. Attrition is being used to optimize cost; vacant roles are backfilled only in productive geographies. 81 branches have been merged as management looks to align operating cost base with the smaller AUM, and preparing for a scale-up once growth resumes.

Exhibit 1: Changes in estimates

	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
	Old		New		% Change	
NII, INR M	8,020	10,224	8,020	10,224	0.0%	0.0%
PAT, INR M	-2,943	682	-2,943	682	0.0%	0.0%
EPS, INR	-41.3	9.6	-41.3	9.6	0.0%	0.0%
BVPS, INR	328.0	337.6	328.0	337.6	0.0%	0.0%
Target price, INR		300		260		-13.3%
CMP				240		
% Upside				8%		
Rating		HOLD		HOLD		

Source: Company, Nuvama Research

Exhibit 2: Lender overlap

%	Feb-25	Apr-25	Jul-25
Only Spandana	30.0%	30.5%	27.8%
Spandana + 1	26.5%	27.7%	27.9%
Spandana + 2	20.5%	21.5%	23.3%
Spandana + ≥3	23.0%	20.3%	21.0%
Total	100.0%	100.0%	100.0%

Source: Company, Nuvama Research

Exhibit 3: Portfolio risk

Asset Classification	Q1FY26				Q4FY25			
	Loans Outstanding	% of Loans Outstanding	ECL Provision	Coverage	Loans Outstanding	% of Loans Outstanding	ECL Provision	Coverage
	INR mn	%	INR mn	%	INR mn	%	INR mn	%
Stage 1	39,570	86.6%	520	1.3%	53,580	85.2%	660	1.2%
Stage 2	3,610	7.9%	1,630	45.2%	5,780	9.2%	2,610	45.2%
31-60	1,690	3.7%	730	43.1%	3,260	5.2%	1,430	43.8%
61-90	1,920	4.2%	900	46.8%	2,520	4.0%	1,180	47.0%
Stage 3	2,510	5.5%	1,980	79.1%	3,540	5.6%	2,790	78.9%
Total	45,690	100.0%	4,130	9.0%	62,900	100.0%	6,060	9.7%

Source: Company, Nuvama Research

Exhibit 4: Impairment of financial instruments

INR bn	Q1FY26	Q4FY25
On technical write-off's	6,420	6,470
On GNPA	-810	-390
On stage 1, 2 & others	-1,190	-560
Recovery of loans written-off	-190	-170
Sub-total	4,220	5,340
On security receipts & others	-	680
Total	4,230	6,030

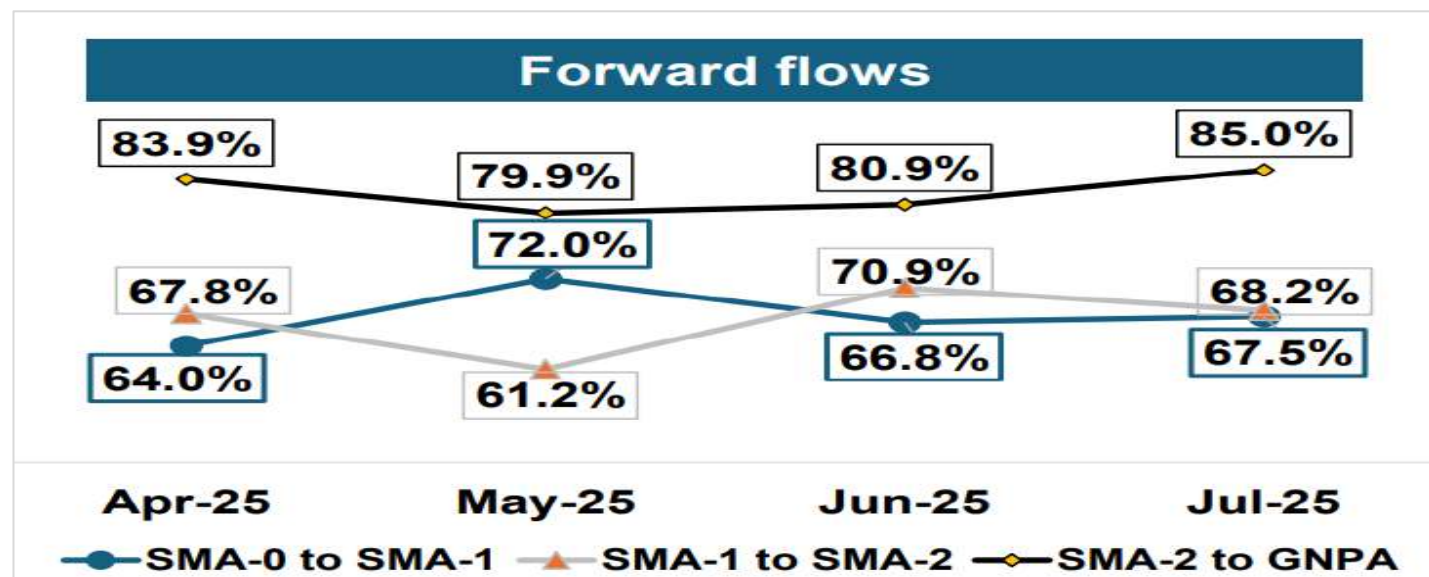
Source: Company, Nuvama Research

Exhibit 5: Asset quality

%	Q1FY26		Q4FY25	
	SSFL	Consolidated	SSFL	Consolidated
GNPA	4.9%	5.5%	4.9%	5.6%
NNPA	1.0%	1.2%	1.0%	1.2%
PCR	80.4%	79.1%	80.2%	78.9%

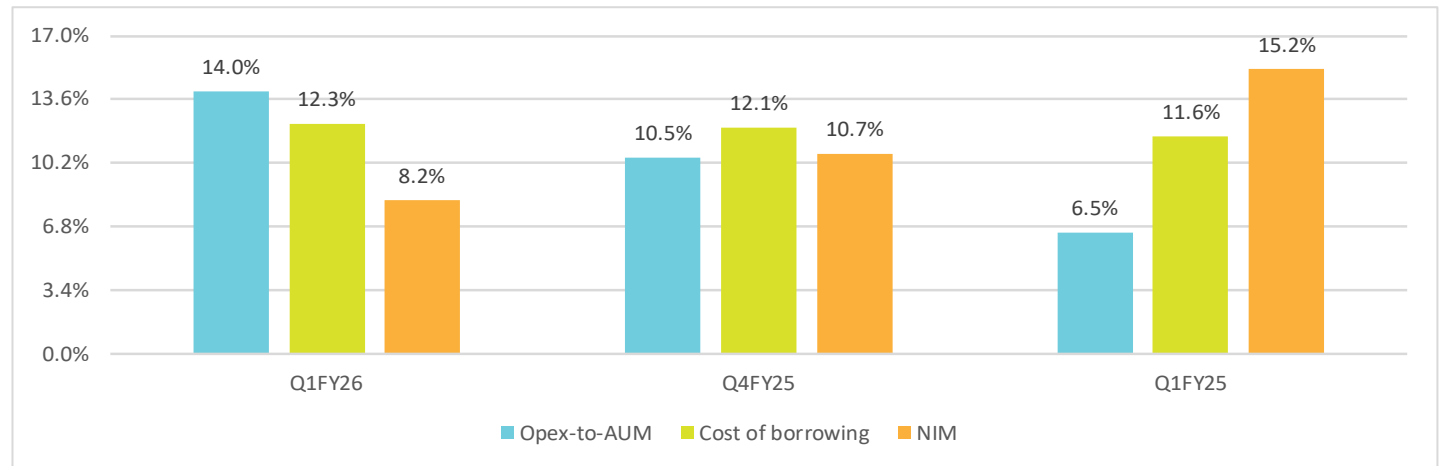
Source: Company, Nuvama Research

Exhibit 6: Forward flows trend



Source: Company, Nuvama Research

Exhibit 7: Yields, margins and cost to AUM



Source: Company, Nuvama Research

Exhibit 8: Financial snapshot

INR mn	Q1FY25	Q4FY25	Q1FY26	YoY %	QoQ %
Interest Income	6,935	3,907	2,837	-59.1%	-27.4%
Less: Interest expense	2,594	1,855	1,538	-40.7%	-17.1%
Net Interest Income	4,342	2,052	1,300	-70.1%	-36.7%
Other income	435	282	204	-53.0%	-27.7%
Total revenue	4,776	2,335	1,504	-68.5%	-35.6%
Employee Expenses	1,347	1,605	1,457	8.2%	-9.2%
Depreciation	44	72	42	-3.9%	-41.1%
Other Expenses	517	406	591	14.4%	45.6%
Total Operating expenses	1,908	2,083	2,091	9.6%	0.4%
Operating profit (PPOP)	2,869	251	-587	-120.5%	-333.6%
Less: Provisions	2,118	6,028	4,222	99.3%	-30.0%
Profit before tax	751	-5,776	-4,809	-740.8%	-16.7%
Less: Tax	193	-1,433	-1,207	-723.9%	-15.8%
Profit After tax	557	-4,343	-3,602	-746.6%	-17.1%
Disbursement	22,830	3,650	2,800	-87.7%	-23.3%
AUM	1,17,230	68,190	49,580	-57.7%	-27.3%
Funds raised	15,540	4,730	-	-100.0%	-100.0%
Asset Quality, %					
GNPA	2.60%	5.63%	5.49%	289 bps	-13.9 bps
NNPA	0.53%	1.19%	1.15%	62 bps	-3.9 bps

Source: Company, Nuvama Research

Company Description

SSFL was incorporated in March 2003 as a non-deposit-taking NBFC and was later categorized by the RBI as NBFC-MFI. Now, SSFL is a leading rural-focused NBFC-MFI with a pan-India presence offering income generation loans under the joint liability group model, predominantly to women. Its fully owned subsidiary CRISS Financials provides non-MFI loans, mainly LAP and nano loans

Investment Theme

Spandana's performance is weaker than peers who appear to be turning around faster. We downgrade TP to INR 260/0.8X BV FY26E from INR 300. We maintain HOLD. The guidance is for 20% AUM growth. The company has raised confidence capital.

Key Risks

- Forward flows remaining elevated
- Slower than expected disbursal growth

Additional Data

Management

Chairman	Abanti Mitra
Interim CEO & CFO	Ashish Damani
COO	Vishal Sharma
CRO	Amit Anand

Holdings – Top 10*

% Holding		% Holding	
Goldman Sachs	3.76	ACM Global Fund	1.41
Sg India Alpha	3.57	Valiant Mauritius	1.20
Valiant Offshore	3.38		
Valiant FDI	2.51		
ICICI Prudential	2.44		

*Latest public data

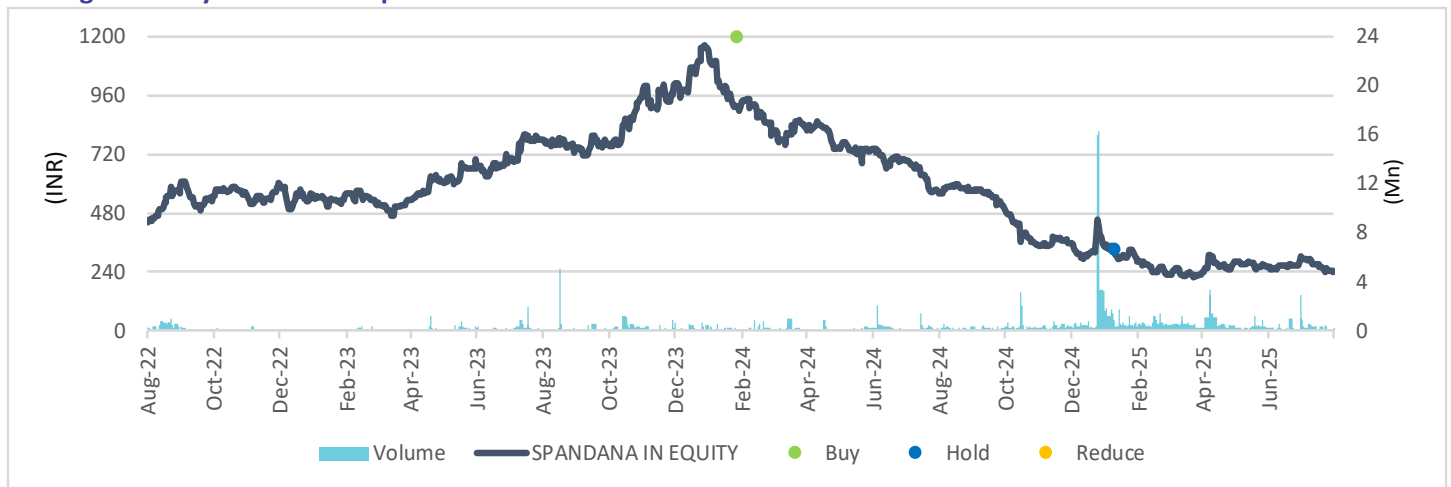
Recent Company Research

Date	Title	Price	Reco
31-May-25	Loss in FY25; recovery from H2FY6E; <i>Result Update</i>	292	Hold
23-Jan-25	Elevated stress and higher opex; <i>Result Update</i>	356	Hold
28-Oct-24	Spandana Sphoorty Financial (SPANDANA IN; <i>Result Update</i>	459	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
13-Aug-25	Muthoot Finance	Shining brighter than peers; <i>Result Update</i>
05-Aug-25	Capri Global Capital	Robust growth across metrics ; <i>Result Update</i>
04-Aug-25	LIC Housing Finance	Weak growth; higher credit cost; <i>Result Update</i>

Rating and Daily Volume Interpretation



Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	198
Hold	<15% and >-5%	70
Reduce	<-5%	36

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