

Spandana Sphoorty

Estimate change

TP change

Rating change



Bloomberg	SPANDANA IN
Equity Shares (m)	71
M.Cap.(INRb)/(USDb)	17.1 / 0.2
52-Week Range (INR)	610 / 184
1, 6, 12 Rel. Per (%)	-13/-23/-59
12M Avg Val (INR M)	226

Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
NII	12.6	4.7	7.0
Total Income	14.9	6.2	9.3
PPoP	6.1	-1.3	3.0
PAT	-10.4	-8.4	1.2
EPS (INR)	-145	-105	14
EPS Gr. (%)	-	-	-
BV (INR)	369	225	261
Ratios (%)			
NIM	15.1	9.0	13.2
C/I ratio	59.3	121.7	67.8
Credit cost	23.8	19.0	3.4
RoA	-9.5	-10.9	1.6
RoE	-33.0	-36.3	5.6

Valuations

P/E (x)	-	-	17.5
P/BV (x)	0.6	1.1	0.9

Shareholding pattern (%)

As of	Jun-25	Mar-25	Jun-24
Promoter	48.1	48.1	56.9
DII	5.7	6.5	9.0
FIIFII	19.8	19.8	22.8
Others	26.4	25.6	11.4

FII includes depository receipts

CMP: INR240

TP: INR280 (+17%)

Buy

Weak quarter; rebuilding phase focused on operational improvements

Sequential moderation in credit costs; reported NIM contracts ~250bp QoQ

- Spandana Sphoorty's (SPANDANA) 1QFY26 loss stood at ~INR3.6b (vs. a loss of INR4.3b in 4QFY25). 1Q NII declined ~70% YoY to ~INR1.3b (~8% miss). Operating loss stood at INR587m (PQ: operating profit of INR251m). Total borrower count declined ~18% QoQ to 2m.
- Opex rose ~10% YoY to ~INR2.1b (inline), resulting in a cost-income ratio of ~140% (PY: ~40% and PQ: ~90%).
- Credit costs stood at ~INR4.2b, resulting in annualized credit costs (as a % of average loans) of ~34% (PQ: ~36% and PY: ~8%). Technical write-offs stood at INR5.8b (vs. INR6.5b in 4QFY25). As a prudent measure, the company recognized additional credit costs of INR1.3b for the quarter due to technical write-off. Excluding this, impairment costs would have been INR2.9b. Recovery from the 90dpd account was INR410m in 1QFY26 (vs. INR520m in 4QFY25).
- Spandana indicated that disbursements in Jul'25 were nearly equivalent to the total disbursements in 1QFY26, with momentum strengthening further in Aug'25 as MTD-Aug'25 was tracking better than the corresponding period run-rate in July. Management anticipates a significant acceleration in both AUM and disbursement growth from 2HFY26, even as 2Q is still expected to remain challenging.
- **The company shared that the appointment of the new MD&CEO is expected within the next 30-45 days, with the Board currently evaluating both internal and external candidates for the role.** Spandana highlighted that FY26 will be a year of rebuilding for the company, with process enhancements aimed at improving efficiency and reducing operating costs. Profitability is likely to remain under pressure for one to two more quarters, with a gradual recovery anticipated thereafter.
- We model AUM to decline ~20% in FY26 and expect profitability only in FY27 now. We expect credit costs for SPANDANA to remain elevated in 2QFY26, with AUM growth likely to remain subdued in FY26. While there are no near-term catalysts, **we reiterate our BUY rating on the stock** with a TP of INR280 (based on 1.1x Mar'27E P/BV), given that SPANDANA now trades at an undemanding valuation of 0.9x Mar'27E P/BV.

AUM down ~58% YoY; disbursements dip ~88% YoY

- AUM declined ~58% YoY and ~27% QoQ to ~INR50b. Disbursements declined ~88% YoY to INR2.8b. Disbursements in Jul'25 stood at ~INR2.7b.
- The number of loan officers (net) declined by ~3,135 during the quarter; SPANDANA currently employs ~8,859 loan officers.

Reported NIM contracts ~250bp and yields drop ~130bp sequentially

- Reported yields declined ~130bp QoQ to ~19.4%, while CoF rose ~20bp QoQ to ~12.3%, resulting in a ~150bp QoQ decline in spreads to 7.1%.
- Reported NIM declined ~250bp QoQ to ~8.2%. This was primarily driven by interest income reversals on loans, which slipped into Stage 3. We estimate NIM of 9%/13.2% in FY26/FY27 (vs. FY25: ~15.1%).

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GNPA declines ~15bp QoQ; technical write-offs at INR5.8b

- GNPA/NNPA declined ~15bp/5bp QoQ to ~5.5%/1.15%. PCR was broadly stable QoQ at ~79%. Stage 2 declined ~130bp QoQ to ~7.9%.
- **Gross collection efficiency (including arrears) declined to 91.1% (PQ: 91.5%), and net collection efficiency declined to 90.6% (PQ: 90.9%).** X-bucket Collection Efficiency stood at 97.9% in Jun'25 vs. 98.6% in Mar'25. Further, the X-bucket CE stood at ~98.5% in Jul'25.
- Customers having loans from SPANDANA +>= 3 lenders as of Jul'25 stood at ~21% (compared to ~20.3% in Apr'25).
- Management shared that forward flows into the GNPA bucket remained elevated, indicating that a higher proportion of overdue accounts still continue to flow forward into higher buckets. However, collection efficiency in the current bucket improved to 98.5% in Jul'25, suggesting stronger recoveries from customers who are not yet overdue. Management expects forward flows to stay high for the next 1-2 quarters, with a gradual moderation likely from 3Q/4Q onwards as collection measures and portfolio quality improvement measures start to take effect.
- CRAR stood at ~40.8% as of Jun'25. The company completed its Rights issue of INR4b (partly paid-up), which saw participation from promoters and institutional investors. CRAR, after the Rights issue, stood at 46%.

Highlights from the management commentary

- Management indicated that stricter operational controls have been implemented, including compulsory house visits before loan disbursement, the introduction of e-signing to enable faster processing, and various other enhancements in the onboarding process.
- A dedicated collection team of over 500 members recovered INR410m from overdue accounts during the quarter, with these efforts further supported by an extensive tele-calling initiative to enhance recoveries.

Valuation and view

- SPANDANA reported a weak 1QFY26, with a sharp decline in disbursements and AUM, as the focus shifted to strengthening collections and operational stability. Credit costs were elevated due to forward flows from Stage 2 assets and are likely to remain high in 2QFY26 as well, and we expect near-normalization only by the end of FY26.
- SPANDANA will continue to exhibit asset quality stress for the next couple of quarters. We estimate SPANDANA to deliver RoA/RoE of 1.6%/6% in FY27E. While there are no near-term catalysts, given the undemanding valuation of 0.9x Mar'27E P/BV, **we reiterate our BUY rating on the stock** with a TP of INR280 (based on 1.1x Mar'27E P/BV).

Quarterly Performance

(INR m)

Y/E March	FY25				FY26E				FY25	FY26E	FY26E 1Q	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Interest Income	6,935	6,071	5,029	3,907	2,837	2,270	2,202	2,645	21,943	9,954	2,930	-3
Interest Expenses	2,594	2,584	2,290	1,855	1,538	1,261	1,185	1,312	9,323	5,296	1,521	1
Net Interest Income	4,342	3,487	2,739	2,052	1,300	1,009	1,017	1,333	12,621	4,658	1,409	-8
YoY Growth (%)	48.0	10.4	-13.4	-46.8	-70.1	-71.1	-62.9	-35.1	-3.8	-63.1	-67.5	
Other Income	435	994	697	282	204	316	476	542	2,298	1,539	476	-57
Total Income	4,776	4,481	3,436	2,335	1,504	1,325	1,492	1,875	14,918	6,196	1,885	-20
YoY Growth (%)	45.7	8.6	-15.5	-49.3	-68.5	-70.4	-56.6	-19.7	-5.8	-58.5	-60.5	
Operating Expenses	1,908	2,203	2,651	2,083	2,091	1,947	1,803	1,703	8,843	7,544	2,040	3
Operating Profit	2,869	2,278	784	251	-587	-622	-310	172	6,075	-1,347	-155	280
YoY Growth (%)	51.7	-11.6	-67.4	-90.5	-120.5	-127.3	-139.6	-31.5	-34.7	-122.2	-105.4	
Provisions & Loan Losses	2,118	5,164	6,661	6,028	4,222	2,955	1,773	907	19,863	9,857	4,660	-9
Profit before Tax	751	-2,886	-5,876	-5,776	-4,809	-3,577	-2,083	-735	-13,788	-11,204	-4,814	0
Tax Provisions	193	-723	-1,474	-1,433	-1,207	-894	-521	-190	-3,436	-2,812	-1,348	-10
Net Profit	557	-2,163	-4,402	-4,343	-3,602	-2,683	-1,563	-544	-10,352	-8,392	-3,466	-4
YoY Growth (%)	-53	-273	-446	-438	-747	24	-65	-87	-307	-19	-722	
Key Parameters (%)												
Yield on loans	25.4	24.4	24.0	23.4	23.0	23.0	23.3	23.6				
Cost of funds	11.4	12.4	12.6	12.0	12.3	12.5	12.4	12.3				
Spread	14.1	12.0	11.5	11.5	10.6	10.5	10.9	11.3				
NIM	15.9	14.0	13.1	12.3	10.5	10.2	10.8	11.9				
Credit cost	7.8	20.7	31.8	36.2	34.2	30.0	18.8	8.1				
Cost to Income Ratio (%)	39.9	49.2	77.2	89.2	139.1	146.9	120.8	90.8				
Tax Rate (%)	25.8	25.0	25.1	24.8	25.1	25.0	25.0	25.9				
Performance ratios (%)												
AUM/Branch (INR m)	0	69	54	38	29							
AUM/Loan Officer (INR m)	11.9	9.5	7.1	5.7	5.6							
Borrowers/Branch	2,048	2,022	1,669	1,380	1,186							
Borrowers/Loan Officer	219	191	149	135	131							
AUM (INR B)												
Change YoY (%)	32.5	7.7	-14.1	-43.0	-57.7	-59.1	-49.4	-20.1				
Disbursements (INR B)												
Change YoY (%)	37.2	-39.8	-43.3	-90.8	-87.7	-32.0	4.0	435.3				
Borrowings (INR B)												
Change YoY (%)	42.6	1.1	-15.3	-40.0	-52.4							
Borrowings/Loans (%)	77.1	74.5	75.5	82.9	86.8							
Debt/Equity (x)	2.4	2.2	2.2	2.1	1.9							
Asset Quality (%)												
GS 3 (INR M)												
G3 %	2.6	4.9	4.8	5.6	5.5							
NS 3 (INR M)												
NS3 %	0.5	1.1	1.1	1.3	1.3							
PCR (%)												
ECL (%)	4.4	7.5	8.5	9.6	9.0							
Return Ratios - YTD (%)												
ROA (Rep)	1.7	-7.1	-16.3	-18.7	-18.9							
ROE (Rep)	6.1	-24.0	-53.5	-60.8	-58.6							

E: MOFSL Estimates



Highlights from the management commentary

Guidance

- FY26 will be a rebuilding year, with a focus on process improvements for higher efficiency and lower operating costs.
- Targeting 20% AUM growth for FY26.
- Profitability to remain under pressure for one more quarter; recovery expected thereafter.
- From H2FY26, substantial improvement in AUM and disbursement growth expected, though 2Q will remain stressed.
- Emphasis on ground-level operational efficiency: 81 branches have been merged; AUM will be run down to reduce costs. Staff will be replenished only in geographies with proven productivity.

Asset Quality & Credit Costs

- MFI portfolio trending towards stability.
- Stricter controls introduced: compulsory house visits before disbursements, e-signing for faster processing, and other onboarding improvements.
- About 50% of active and dormant customers are eligible for fresh loans under tighter credit norms.
- GNPA at 5.5%; NNPA at 1.15%.
- Forward flows into the GNPA bucket remain elevated, but current bucket CE improved to 98.5% in July; forward flows are expected to remain elevated for 1–2 quarters, with deceleration in forward flows from 3Q/4Q onwards.
- On a BAU basis, MFI credit costs will be 2.5–3%. Digital collections have improved to 14% from 3–4% earlier.

Collections

- A 500+ member collection team recovered INR410m from overdue accounts this quarter, complemented by tele-calling efforts.
- Digital payment solutions are implemented to improve customer service and extend collection windows.
- Collection efficiency is improving in the top five states.
- X-bucket collection efficiency at 97.9% vs 98.6% in Mar'25—dipped in April/May but has normalized in July.
- Current bucket collection efficiency of the loans source post implementation of MFI Guardrails 2.0 stood at ~100%.

AUM

- Disbursements of INR 2.8b in the quarter; July alone saw INR 2.7b. Strong momentum continues into August, with the first two weeks exceeding July's pace.
- AUM at INR 49.5b, down ~58% YoY; targeting 20% growth in FY26.

Liquidity

- Liquidity at INR 17.3b; CRAR at 40.8% as of Jun'25.
- Post-rights issue, CRAR rises to 46%.

Financials

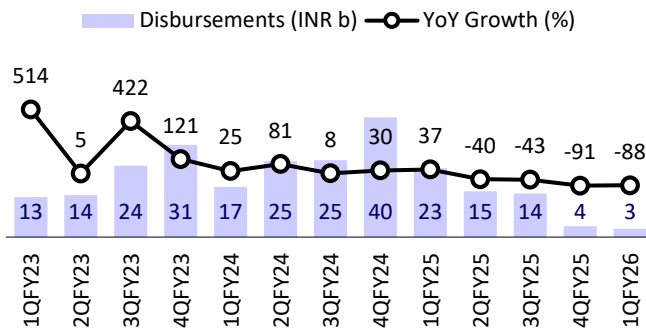
- NII stood at INR 1.3b, down 37% QoQ and 70% YoY, impacted by AUM decline and interest income reversals.
- Operating loss came in at INR590m vs. an operating profit of INR 250m in 4QFY25.
- Yields dropped to 19.4% from 20.4% in 4QFY25, while CoB rose ~20bp QoQ to 12.3%.
- Net loss of INR 3.6b was reported due to elevated provisions and technical write-offs.
- NIMs contracted 250bp QoQ to 8.2%.

Others

- It successfully completed the INR4b Rights issue, with incremental participation from institutional investors.
- Weighted average loan maturity is 6-7 months (never beyond 9-10 months under normal conditions). Profitability is expected to improve after one more quarter of stress.
- Spandana +>=3 earlier accounted for 30% of GNPA.
- Loan disbursement interval extended: previously 6 months after the first loan, now 12 months. Current mix: 85% loans for 2 years, 15% for 12–18 months.
- New leadership appointment expected within 30–45 days; candidates are being considered internally and externally.
- Promoter Kedaara holds 48.2% stake (41% via Fund 1, remainder via Fund 3), with holdings broadly unchanged after the Rights issue.

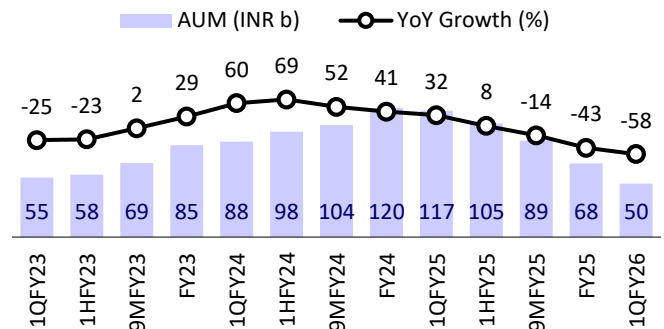
Story in charts

Exhibit 1: Disbursements declined ~88% YoY...



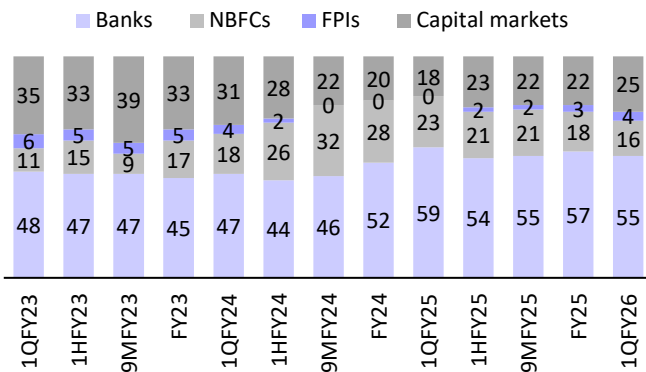
Source: MOFSL, Company

Exhibit 2: ...driving ~58% YoY decline in AUM



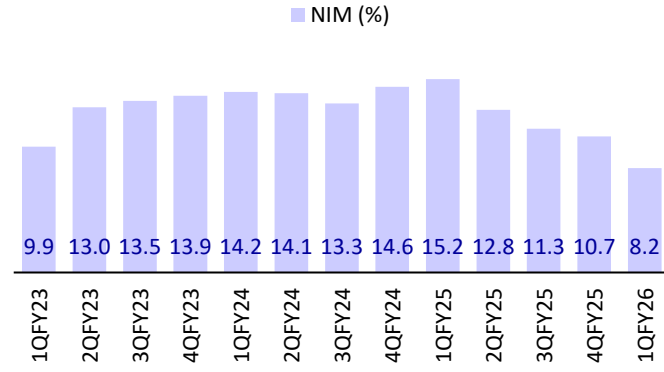
Source: MOFSL, Company

Exhibit 3: Share of banks declined in the borrowing mix (%)



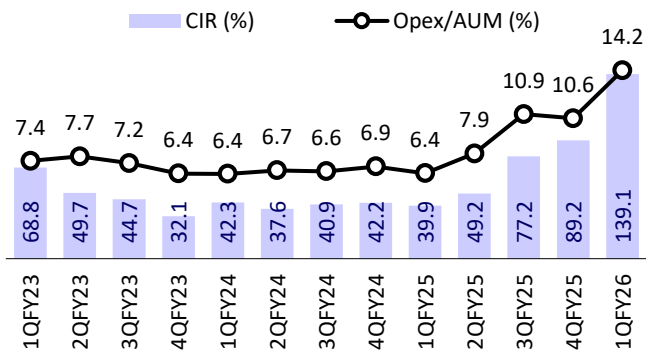
Source: MOFSL, Company

Exhibit 4: Reported NIM contracted ~250bp QoQ (%)



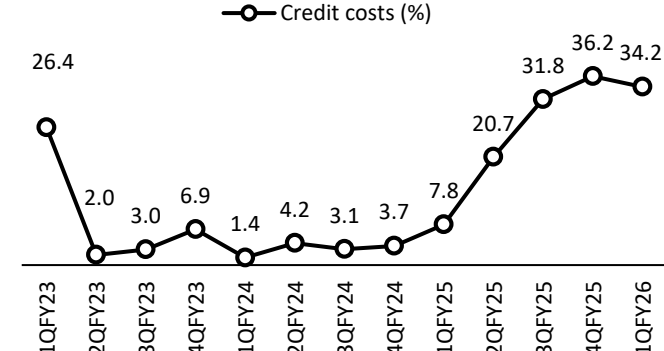
Source: MOFSL, Company

Exhibit 5: Opex/AUM rose ~360bp QoQ (%)



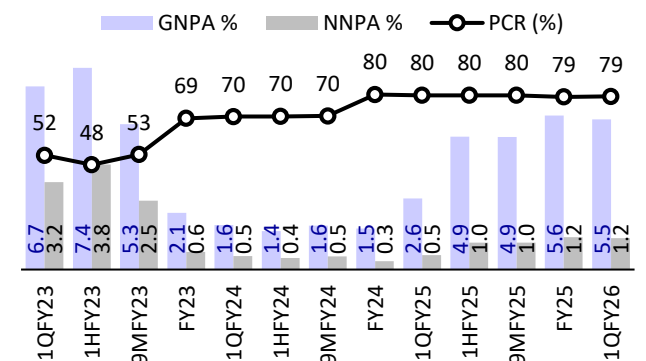
Source: MOFSL, Company

Exhibit 6: Annualized credit costs stood at ~34%



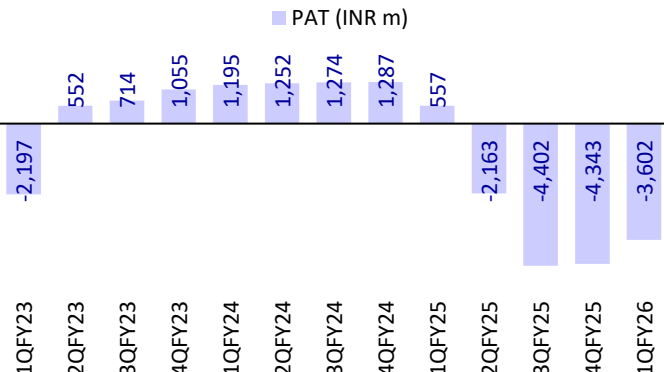
Source: MOFSL, Company

Exhibit 7: GS3 declined ~15bp QoQ



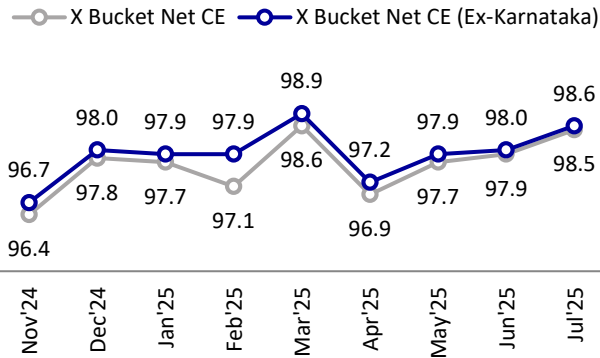
Source: MOFSL, Company

Exhibit 8: 1QFY26 loss stood at ~INR3.6b



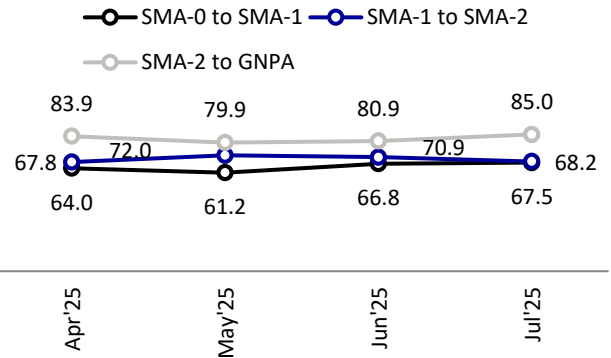
Source: MOFSL, Company

Exhibit 9: X-bucket collection efficiency



Source: MOFSL, Company

Exhibit 10: Forward flows



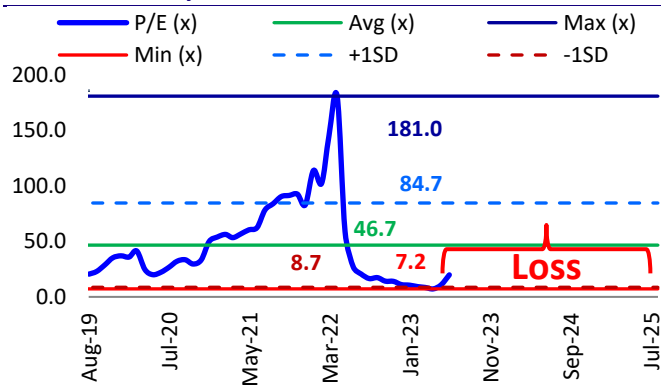
Source: MOFSL, Company

Exhibit 11: We keep our FY26 EPS estimates unchanged and cut our FY27 EPS estimates by ~27% to factor in lower loan growth

INR B	Old Est.		New Est.		% change	
	FY26	FY27	FY26	FY27	FY26	FY27
NII	5.7	8.2	4.7	7.0	-17.6	-14.7
Other Income	2.6	2.7	1.5	2.3	-39.8	-13.6
Total Income	8.2	10.9	6.2	9.3	-24.5	-14.4
Operating Expenses	7.7	7.3	7.5	6.3	-2.3	-13.8
Operating Profits	0.5	3.5	-1.3	3.0	-378.1	-15.7
Provisions	11.6	1.9	9.9	1.8	-15.0	-6.0
PBT	-11.1	1.7	-11.2	1.2	0.9	-26.8
Tax	-2.8	0.0	-2.8	0.0	0.9	-
PAT	-8.3	1.7	-8.4	1.2	0.9	-26.8
AUM	63	75	54	66	-13.2	-11.3
Borrowings	52	63	46	58	-11.7	-7.9
RoA	-10.4	2.0	-10.9	1.6	5.0	-21.1
RoE	-35.9	7.6	-36.3	5.6	1.0	-25.8

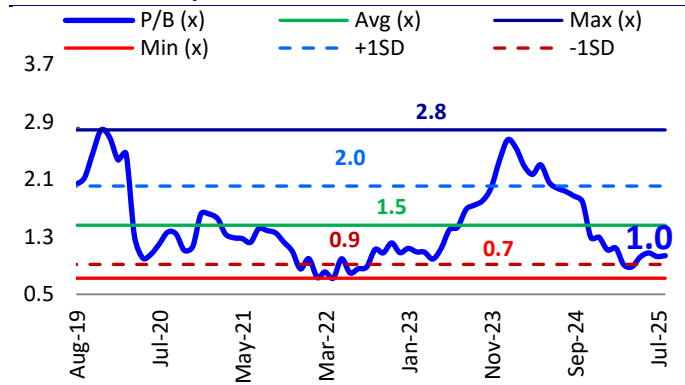
Source: MOFSL, Company

Exhibit 12: One year forward P/E



Source: MOFSL, Company

Exhibit 13: One year forward P/B



Source: MOFSL, Company

Financials and valuations

Income Statement (INR M)								
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E FY27E
Interest Income	9,979	11,692	13,627	13,365	12,775	22,381	21,943	9,954 12,674
Interest Expenses	3,579	3,563	4,232	5,401	4,579	9,268	9,323	5,296 5,716
Net Interest Income	6,400	8,129	9,395	7,964	8,196	13,113	12,621	4,658 6,958
Change (%)	87.5	27.0	15.6	-15.2	2.9	60.0	-3.8	-63.1 49.4
Other Operating Income	452	2,661	1,199	1,263	1,233	1,625	1,608	953 1,638
Other Income	54	342	230	172	763	1,102	689	586 703
Total Income	6,907	11,132	10,824	9,399	10,192	15,840	14,918	6,196 9,299
Change (%)	94.1	61.2	-2.8	-13.2	8.4	55.4	-5.8	-58.5 50.1
Total Operating Expenses	1,719	2,211	2,369	3,625	4,570	6,540	8,843	7,544 6,308
Change (%)	58.5	28.7	7.1	53.0	26.1	43.1	35.2	-14.7 -16.4
Employee Expenses	1,310	1,707	1,715	2,284	3,057	4,732	6,318	5,244 4,300
Depreciation	70	88	76	92	109	204	227	232 250
Other Operating Expenses	339	416	577	1,249	1,404	1,604	2,298	2,068 1,758
Operating Profit	5,188	8,920	8,456	5,774	5,621	9,300	6,075	-1,347 2,991
Change (%)	109.8	71.9	-5.2	-31.7	-2.6	65.4	-34.7	-122.2 -322.0
Total Provisions	453	2,736	6,451	4,806	5,443	2,594	19,863	9,857 1,774
% Loan loss provisions to Avg loans ratio	1.2	5.9	10.8	7.7	8.2	2.8	23.8	19.0 3.4
PBT	4,735	6,185	2,004	969	178	6,706	-13,788	-11,204 1,217
Tax Provisions	1,616	2,666	550	270	54	1,699	-3,436	-2,812 0
Tax Rate (%)	34.1	43.1	27.4	27.9	30.5	25.3	24.9	25.1 0.0
PAT	3,119	3,518	1,455	698	124	5,007	-10,352	-8,392 1,217
Change (%)	66.0	12.8	-58.7	-52.0	-82.3	3,940.0	-306.7	-18.9 -114.5

Balance Sheet (INR M)								
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E FY27E
Equity Share Capital	596	643	643	691	710	713	713	800 887
Reserves & Surplus	18,298	25,616	26,848	30,185	30,280	35,733	25,617	19,139 22,268
Non-controlling interest	9	13	20	24	2	3	2	2 2
Net Worth	18,904	26,272	27,511	30,899	30,992	36,449	26,333	19,941 23,157
Borrowings	29,677	30,253	53,733	37,721	60,743	94,246	56,556	46,273 57,661
Change (%)	27.3	1.9	77.6	-29.8	61.0	55.2	-40.0	-18.2 24.6
Other Liabilities	736	3,248	4,526	2,143	2,091	3,130	2,046	2,146 2,355
Total Liabilities	49,317	59,774	85,769	70,763	93,826	1,33,825	84,935	68,360 83,174
Cash and Bank	3,518	2,571	13,810	12,022	10,045	18,941	18,438	12,156 14,156
Investments	1	4,875	23	24	1,894	1,118	1,098	925 923
Loans	42,678	49,767	69,330	55,184	77,598	1,10,143	57,084	46,599 59,018
Change (%)	38.1	16.6	39.3	-20.4	40.6	41.9	-48.2	-18.4 26.7
Fixed Assets	268	339	380	313	249	300	342	383 425
Other Assets	2,853	2,221	2,225	3,220	4,040	3,323	7,974	8,296 8,651
Total Assets	49,317	59,774	85,769	70,763	93,826	1,33,825	84,935	68,360 83,174

E: MOFSL Estimates

Financials and valuations

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
AUM	43,720	68,290	81,570	65,810	85,110	1,19,730	68,190	54,462	66,293
Change (%)	38	56	19	-19	29	41	-43	-20	22
Disbursements	49,157	77,222	60,990	33,740	81,320	1,06,900	56,050	47,643	58,124
Change (%)	27	57	-21	-45	141	31	-48	-15	22

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Spreads Analysis (%)									
Avg. Yield on Loans	27.1	25.3	22.9	21.5	19.2	23.8	26.2	19.2	24.0
Avg Cost of Funds	13.5	11.9	10.1	11.8	9.3	12.0	12.4	10.3	11.0
Spread of loans	13.6	13.4	12.8	9.7	9.9	11.9	13.9	8.9	13.0
NIM (on loans)	17.4	17.6	15.8	12.8	12.3	14.0	15.1	9.0	13.2
Profitability Ratios (%)									
RoE	19.0	15.6	5.4	2.4	0.4	14.8	-33.0	-36.3	5.6
RoA	7.2	6.5	2.0	0.9	0.2	4.4	-9.5	-10.9	1.6
Int. Expended / Int.Earned	35.9	30.5	31.1	40.4	35.8	41.4	42.5	53.2	45.1
Other Inc. / Net Income	7.3	27.0	13.2	15.3	19.6	17.2	15.4	24.8	25.2
Efficiency Ratios (%)									
Op. Exps. / Net Income	24.9	19.9	21.9	38.6	44.8	41.3	59.3	121.7	67.8
Empl. Cost/Op. Exps.	76.2	77.2	72.4	63.0	66.9	72.4	71.4	69.5	68.2
Asset-Liability Profile (%)									
Loans/Borrowings Ratio	1.4	1.6	1.3	1.5	1.3	1.2	1.0	1.0	1.0
Assets/Equity	2.6	2.3	3.1	2.3	3.0	3.7	3.2	3.4	3.6
Asset Quality (%)									
GNPA (INR m)	3,628	180	4,095	11,489	1,775	1,690	3,540	2,769	1,697
GNPA (%)	7.8	0.4	5.6	18.7	2.2	1.5	5.6	5.4	2.7
NNPA (INR m)	5.5	34.6	2,193.8	6,442.7	549.1	340.0	750.0	498.4	339.3
NNPA (%)	0.0	0.1	3.1	11.4	0.7	0.3	1.2	1.0	0.6
PCR (%)	99.8	80.8	46.4	43.9	69.1	79.9	78.8	82.0	80.0
Credit costs	1.2	5.9	10.8	7.7	8.2	2.8	23.8	19.0	3.36

Valuations	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Book Value (INR)	317	408	427	447	437	511	369	225	261
BV Growth (%)	-32	29	5	5	-2	17	-28	-39	16
P/BV	0.8	0.6	0.6	0.5	0.5	0.5	0.6	1.1	0.9
EPS (INR)	52.3	54.7	22.6	10.1	1.7	70.2	-145.2	-104.9	13.7
EPS Growth (%)	-17	5	-59	-55	-83	3,922	-307	-28	-113
P/E	4.6	4.4	10.6	23.7	137.5	3.4	-1.7	-2.3	17.5
Dividend	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend yield	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

E: MOFSL Estimates

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