

Spandana Sphoorty raises \$270 mn, exits CDR

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Spandana Sphoorty Financial Ltd has raised over \$100 million (about Rs 650 crore) in equity capital from a consortium of investors led by Kedaara Capital and including Canadian pension fund Ontario Teachers' Pension Plan, according to a press statement.

It also raised \$170 million (about Rs 1,100 crore) in debt capital from IndusInd Bank, Yes Bank and ICICI Bank, the statement added.

In the process, the company managed to repay all its outstanding dues and exited the corporate debt restructuring (CDR) process it was referred to by its lenders in 2011 as a result of a micro-finance credit crisis in Andhra Pradesh.

“This equity infusion from the Kedaara-led consortium, along with new debt support from banks, has helped us to clear all of our debt repayments and exit CDR...” Padmaja Reddy, founder of Spandana, said in a statement.

“All 37 of the company’s lenders supported Spandana through the CDR process, and have now had their outstanding restructured loans repaid in full,” the firm said.

As reported last month, Kedaara is acquiring a [controlling stake](#) in Spandana via its special purpose vehicle Kanchenjunga Ltd.

Founded in 1998, Spandana provides unsecured income-generation loans, micro-enterprise loans, farm loans and loans against gold to low-income segments in rural and semi-urban India.

It currently operates in 13 states across the country, and has 540 branches in various rural and semi-urban areas. Spandana has over 2 million borrowers with a portfolio outstanding of Rs 1,325 crore, less than a third of what it was prior to the Andhra crisis. At that point, Spandana

was the second-largest micro-finance institution in the country with a portfolio of Rs 4,500 crore across 11 states, it said.

The company also sells products like solar lanterns, mobile handsets and consumer durables through its distribution network in rural and semi-urban areas, it added.

“This transaction is in line with Kedaara’s focus of investing behind, and taking very large stakes in, high quality businesses with potential to create market-leading positions driven by very talented management. Despite several obstacles post the AP crisis, Spandana has been able to demonstrate strong recovery, good growth and great profitability over the last three years,” a statement from Kedaara Capital citing managing partners Sunish Sharma and Manish Kejriwal said.

“We believe this is an opportune time to invest in the MFI sector, with Spandana especially well-positioned to benefit from the sector tail winds, due to its geographically well-diversified loan portfolio and strong reach across target geographies,” the statement added.

Unitus Capital was the financial adviser to the equity transaction. **Nishith Desai Associates was the legal adviser to the company** while AZB & Partners was the legal adviser to Kedaara Capital. Law firm Cyril Amarchand Mangaldas acted as the legal adviser to all 37 lenders.