

March 28, 2024

Fincare Small Finance Bank Limited: Rating withdrawn for instrument backed by unsecured microloan receivables securitisation transaction originated by Fincare Small Finance Bank Limited

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Melisandre IFMR Capital 2016	PTC Series A2	6.35	2.26	0.00	[ICRA]D(SO); Withdrawn

*Instrument details are provided in Annexure I

Rationale

ICRA has withdrawn the ratings for the pass-through certificates (PTCs) issued under a microfinance loan receivables transaction originated by Fincare Small Finance Bank Limited. Trustee has confirmed that there are no further payouts due to the PTC investors.

The key rating drivers, liquidity position, rating sensitivities have not been captured as the rating assigned to the instruments have been withdrawn. The previous detailed rating rationale of previous rating exercise is available at the following link: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Policy on Withdrawal of Credit Rating Policy on Default Recognition
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Fincare Small Finance Bank Limited (Fincare) converted into a small finance bank (SFB) in July 2017 from a microfinance institution (Disha Microfin Limited) registered as a non-deposit accepting, non-banking financial company (NBFC) with the Reserve Bank of India (RBI). In 2007, Mr. Reddy commenced the microfinance operations of Future Financial Services Private Limited (FFSPL) in South India. In 2009, Mr. Nanavati and three others commenced the microfinance operations of Disha Microfin in Gujarat. In October 2010, True North (erstwhile India Value Fund), a private equity fund, funded FFSPL and Disha.

FFSPL's operations were adversely impacted during the Andhra Pradesh microfinance crisis and FFSPL along with Disha came under the brand name, Fincare. The bank's transformation process began in 2016 after receiving in-principle approval from the RBI for its SFB licence. In 2017, the restructuring was completed with the merger of FFSPL with Fincare Business Services Limited, which is the holding company, while Disha Microfin converted into Fincare Small Finance Bank Limited. Fincare received scheduled bank status in 2019.

As on March 31, 2023, Fincare had operations in 22 states and Union Territories spanning 338 districts through 1,231 branches serving a customer base of 29.4 lakh. In FY2023, Fincare reported a net profit of Rs. 103.6 crore on an AUM of Rs. 9,911 crore as on March 31, 2023 against a net profit of Rs. 7 crore in FY2022 on an AUM of Rs. 7,599 crore as on March 31, 2022.

Fincare Small Finance Bank Limited (Fincare SFB) announced on October 29, 2023, that its board has approved its merger into AU Small Finance Bank Limited (AU SFB), Fincare SFB has subsequently received approval from its shareholders, Competition Commission of India & Reserve Bank of India, approving the scheme of amalgamation and confirming the merger effective date as April 1, 2024. The existing shareholders of Fincare SFB will receive 579 shares in AU SFB for every 2,000 shares held by them in Fincare SFB. Moreover, the existing shareholders of Fincare SFB shall hold a ~9.9% stake in AU SFB after the completion of the transaction.

EXHIBIT 1. Key Financial Indicators (audited)

Fincare SFB	FY2021	FY2022	FY2023	H1 FY2024
Accounting as per	IGAAP	IGAAP	IGAAP	IGAAP
Net interest income	701	879	1,090	751
Profit after tax (PAT)	113	6	104	219
Gross advances	5,506	7,360	8,878	10,557
Total assets	7,967	10,901	12,468	14,778
Tier I	24.91%	19.48%	18.64%	18.32%
CRAR	29.56%	22.32%	20.04%	22.32%
NIM/ ATA	9.3%	9.3%	9.3%	11.0%
PAT/ ATA	1.5%	0.1%	0.9%	3.2%
RoNW	13.2%	16.2%	17.7%	30.7%
GNPA	6.4%	7.8%	3.3%	1.6%
NNPA	2.8%	3.6%	1.3%	0.8%

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust Name	Instrument	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years				
		Initial amount rated (Rs.crore)	Amount Outstanding (Rs. crore)	Date and Rating in FY2024		Date and Rating in FY2023	Date and Rating in FY2022	Date and Rating in FY2021
				March 28, 2024	July 25, 2023	August 22, 2022	August 27, 2021	August 21, 2020
Melisandre IFMR Capital 2016	PTC Series A2	6.35	0.00	[ICRA]D(SO) (Withdrawn)	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Melisandre IFMR Capital 2016	PTC Series A2	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, is available on ICRA's website [Click here](#)

Annexure I: Instrument details

Trust Name	Instrument Type	Date of Issuance	Coupon Rate	Initial Final Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Melisandre IFMR Capital 2016	PTC Series A2	August 2016	15.00%	June 2018	0.00	[ICRA]D(SO); Withdrawn

* Scheduled maturity date at transaction initiation; may change on account of prepayments

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

ANALYST CONTACTS

Abhishek Dafria

+91 22 6114 3440

abhishek.dafria@icraindia.com

Sachin Joglekar

+91 22 6114 3470

sachin.joglekar@icraindia.com

Himanshi Doshi

+91 22 6114 3449

himanshi.doshi@icraindia.com

Shruti Jain

+91 22 6114 3470

shruti.jain@icraindia.com

Tina Parekh

+91 22 6114 3455

tina.parekh@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar

+91 22 6169 3304

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



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