

May 27, 2026

## AU Small Finance Bank Limited: Rating placed on Watch with Negative Implications for SNs issued under loan against property receivables securitisation transaction

### Summary of rating actions

Trust Name	Instrument*	Initial Amount (Rs. crore)	Previous rated Amount(Rs. Crore)	Current Rated Amount (Rs. crore)	Rating Action
Hampi Feb 2024	Series A1 SN	103.41	75.51	57.26	[ICRA]AA-(SO); placed on Rating Watch with Negative Implications
	Series A2 SN	6.02	5.79	5.79	[ICRA]A(SO); Placed on Rating Watch with Negative Implications

\*Instrument details are provided in Annexure II

### Rationale

The securitisation notes (SNs) are backed by loan against property receivables originated by Fincare Small Finance Bank Limited (FSFB/Originator) and serviced by AU Small Finance Bank Limited (AUSFB/Servicer; rated [ICRA]AA (Stable)). Pursuant to the amalgamation of FSFB and AUSFB effective from April 01, 2024, AUSFB has assumed all the outstanding duties, undertakings and obligations, with respect to the transaction. Accordingly, the rated SN transaction is being serviced by AUSFB.

The ratings have been placed on Rating Watch with Negative Implications on account of the weaker-than-expected performance of the pool with significant decrease observed in the current collection efficiency which has resulted in increase in delinquencies across all buckets as on March 2026 payout. As the delinquencies are higher than ICRA's initial expectations, servicer's ability to strengthen its collection efforts in the near term, thereby recovering higher amounts from delinquent borrowers and ensuring a sizeable improvement in the collection efficiency, remains a key monitorable. ICRA will continue to monitor the performance of the pool and any further rating action will be on the basis of the future collection efficiency and delinquency movement.

### Pool performance summary

Parameter	Hampi Feb 2024
Payout Month	March 2026
Months post securitisation	24
Pool amortisation	41.1%
Series A1 SN amortisation	42.4%
Series A2 SN amortisation	0.0%
Total amortisation: Series A1 SN and Series A2 SN	40.1%
Cumulative collection efficiency <sup>1</sup>	97.6%
Current Collection Efficiency <sup>2</sup>	75.2%
Loss-cum-0+ dpd (days past due; % of initial pool principal) <sup>3</sup>	18.3%
Loss-cum-30+ dpd (% of initial pool principal) <sup>4</sup>	14.2%
Loss-cum-90+ dpd (% of initial pool principal) <sup>5</sup>	6.1%
Break-even collection efficiency (%) <sup>6</sup>	

<sup>1</sup> Cumulative current and overdue collections till date / Cumulative billings till date

<sup>2</sup> Current collections / current billings

<sup>3</sup> (Principal outstanding (POS) + Overdues on contracts aged 0+ dpd) / Initial POS on the pool

<sup>4</sup> (POS + Overdues on contracts aged 30+ dpd) / Initial POS on the pool

<sup>5</sup> (POS + Overdues on contracts aged 90+ dpd) / Initial POS on the pool

<sup>6</sup> (Balance cash flows payable to investor – CC available) / Balance pool cash flows

<sup>7</sup> Cumulative prepaid principal till date / Initial pool principal

Parameter	Hampi Feb 2024
Series A1 SN	72.6%
Series A2 SN	79.5%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.00%
CC available (as % of balance pool principal)	7.6%
Excess interest spread (EIS) (as % of balance pool principal) for both SN	21.8%
Cumulative prepayment rate <sup>7</sup>	18.9%

## Transaction Structure

As per the transaction structure, till Series A1 SN is outstanding, the monthly cash flow schedule comprises the promised interest payout only and principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. Post full redemption of Series A1 SN, the monthly cash flow schedule comprises the principal to be paid on a monthly basis (100% of the pool principal billed) on expected basis and is promised on the final maturity date. Any surplus EIS, after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of Series A1 SN till its full redemption and then it would be used for principal payout to Series A2 SN.

## Key rating drivers

### Credit strengths

**Credit enhancement available in the structure** – The ratings factor in the build-up of the credit enhancement as on March 2026 payout month, with the CC increasing to 7.65% of the balance pool principal compared to 4.5% at time of securitisation for the transaction. Internal credit support is also available through scheduled EIS and subordination for the transaction. Further there has been nil CC utilization in the pool in any of the payouts.

**Adequate servicing capability of AU Small Finance Bank (AU)** – The originating entity Fincare SFB merged with AU SFB with effect from 1st April, 2024. AU SFB has adequate processes for servicing of the loan accounts in the securitised pool and proven track record of consistent collections over many years, across various geographies, and through multiple economic cycles.

### Credit challenges

**Exposed to basis risk** - The transaction is exposed to basis risk as the underlying pool is linked to originator's internal benchmark rate whereas yield on PTCs is floating and linked to an external benchmark.

**Deterioration in the pool performance** - The pool reported a deterioration in its collection efficiency in the past few months and significant rise in the delinquency of the pool with 90+ dpd being at ~6% as on April 2026 payout month. Further the breakeven collection efficiency is higher than the current collection efficiency of the pool. Servicer's ability to strengthen its collection efforts in the near term, thereby recovering higher amounts from the delinquent borrowers and ensuring a sizeable improvement in the collection efficiency, remains a key monitorable.

**Risks associated with lending business** – The pool's performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans.

## Key rating assumptions

ICRA’s cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator’s loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA’s cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pools, ICRA has estimated following shortfall in the pool principal collection during their tenure at 5.50% of initial POS. The average prepayment rate for the underlying pool is modelled in the range of 6% to 20% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

## Details of Key counterparties

Transaction Name	Hampi Feb 2024
Originator	Fincare Small Finance Bank Limited
Servicer	AU Small Finance Bank Limited
Trustee	Catalyst Trusteeship Limited
CC Holding Bank	Federal Bank Limited
Collection and payout account Bank	Federal Bank Limited

## Liquidity position:

**Strong for Series A1 SN:** The liquidity for Series A1 SN is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be ~3.00 the estimated loss in the pool for Series A1 SN respectively.

**Adequate for Series A2 SN:** The liquidity for Series A2 SN is adequate after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be ~2.00 times the estimated loss in the pool for Series A2 SN, respectively.

## Rating sensitivities

### Positive factors

The rating could be upgraded if the pool witnesses a significant rise in the collection efficiency, leading to a material improvement in the delinquency levels.

### Negative factors

The rating could be downgraded if the collection efficiency continued to remain weak such that the delinquency levels further increase from the current levels. Further, weakening in credit profile of the servicer could also exert pressure on the rating.

## Analytical approach

The rating action is based on the performance of the pool till March 2026 (payout month), the present delinquency profile of the pool, the CE available in the pool, and the performance expected over the balance tenure of the pool.

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

## About the originator

AU Small Finance Bank (AUSFB) is a scheduled commercial bank, which transitioned to a small finance bank (SFB) from an asset financing non-banking financial company (NBFC). While it was incorporated in 1996 as an NBFC, it commenced SFB operations on April 19, 2017, after receiving the final licence on December 20, 2016. The Reserve Bank of India (RBI) had granted in-principle approval in September 2015. AUSFB was listed on the stock exchanges in July 2017 and was granted scheduled commercial bank status in November 2017.

During its early years of operations, AUSFB (formerly AU Financiers (India) Limited) was primarily engaged in vehicle financing through funds raised from high-net-worth individuals in Jaipur. Over the years, it raised equity from private investors at regular intervals and expanded its product portfolio. AUSFB has an established market position in Rajasthan and has expanded its operations to Maharashtra, Gujarat, and other states over the years. As on March 31, 2026, it had 2,790 touchpoints across 21 states and 4 Union Territories.

AUSFB operates in the retail asset financing segment, with the vehicle financing segment accounting for 33% of its gross loan portfolio (GLP) as on March 31, 2026. Its product portfolio also includes micro business loans, home loans, loans to NBFCs, loans to real estate groups, business banking, agri-banking, credit cards, personal loans, etc. AUSFB's liability product offerings include current accounts, savings accounts, recurring & term deposits, transaction banking, and insurance covers, among others.

### EXHIBIT 1. Key Financial Indicators

AUSFB (Standalone)	FY2024	FY2025	FY2026
Total income	12,252	18,590	21,614
Profit after tax	1,535	2,106	2,656
Total Assets	1,09,426	1,57,846	1,91,797
Gross NPA	1.7%	2.3%	2.0%
CRAR	20.1%	20.1%	18.7%

Source: Company; 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 (FY2027)			Chronology of rating history for the past 3 years			
		Initial rated amount (Rs. crore)	Current rated amount (Rs. crore)	Date & rating in FY2027	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	
					May 27, 2026	May 29, 2025	May 03, 2024	Mar 04, 2024
Hampi Feb 2024	Series A1 SN	103.41	57.26	[ICRA]AA-(SO); Rating Watch with Negative Implications	[ICRA]AA-(SO)	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	
	Series A2 SN	6.02	5.79	[ICRA]A(SO); Rating Watch with Negative Implications	[ICRA]A(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	

### Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(\*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)

9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

- (@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.
- (#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

**Disclosure:** SEBI’s grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

### Complexity level of the rated instrument

Instrument	Complexity indicator
Series A1 SN	Highly Complex
Series A2 SN	Highly 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 II: Instrument details**

Trust Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Current Amount Rated (Rs. Crore)	Current Rating
<b>Hampi Feb 2024</b>	Series A1 SN	20, February 2024	8.65%	February 15, 2033	57.26	[ICRA]AA-(SO); Rating Watch with Negative Implications
	Series A2 SN	20, February 2024	-	February 15, 2033	5.79	[ICRA]A(SO); Rating Watch with Negative Implications

Source: Company

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

Not applicable

#### ANALYST CONTACTS

**Manushree Saggur**

+91 124 4545 316

[manushrees@icraindia.com](mailto:manushrees@icraindia.com)

**Himanshi Doshi**

+91 22 6114 3410

[himanshi.doshi@icraindia.com](mailto:himanshi.doshi@icraindia.com)

**Mrugesh Trivedi**

+91 22 6114 3436

[mrugesh.trivedi@icraindia.com](mailto:mrugesh.trivedi@icraindia.com)

**Sachin Joglekar**

+91 22 6114 3470

[sachin.joglekar@icraindia.com](mailto:sachin.joglekar@icraindia.com)

**Tina Parekh**

+91 22 6114 3455

[tina.parekh@icraindia.com](mailto:tina.parekh@icraindia.com)

#### RELATIONSHIP CONTACT

**L Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

#### MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

#### Helpline for business queries

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

[info@icraindia.com](mailto:info@icraindia.com)

#### About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



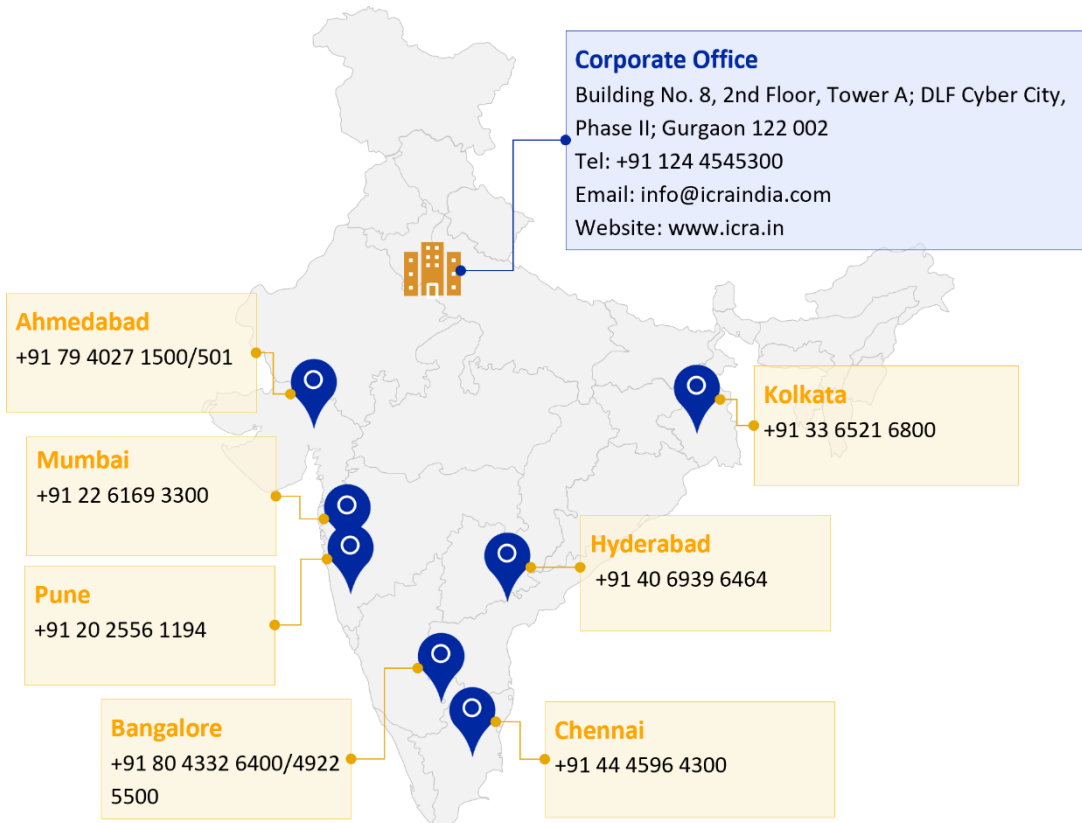
### Registered Office

B-710, Statesman House 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2026 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.