

May 29, 2026

Unity Small Finance Bank Limited: Rating placed on Watch with Negative Implications for SNs backed by secured LAP loan receivables issued by Orion Series 1

Summary of rating action

Trust name	Instrument*	Initial rated amount (Rs. crore)	Amount O/s after last surveillance (Rs. crore)	Amount O/s after May-26 payout (Rs. crore)	Rating Action
Orion Series 1	Series A1 SNs	76.84	-	46.94	[ICRA]AA(SO); placed on Rating Watch with Negative Implications

*Instrument details are provided in Annexure II

Rationale

The securitisation notes (SNs) are backed by secured loan against property (LAP) receivables originated by Unity Small Finance Bank Limited {Unity SFB; rated [ICRA]A(Stable)}.

The rating has been placed on Rating Watch with Negative Implications on account of weaker than expected performance of the pool with significant decline observed in the collection efficiency which has resulted in increase in the delinquencies across all buckets as on May 2026 payout. As the delinquencies are higher than ICRA's initial expectations, the 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, will be 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	Orion Series 1
Payout month	May 2026
Months post securitisation	18
Pool amortisation (as % of initial pool principal)	37.81%
Series A1 SNs amortisation (as % of initial PTC principal)	38.90%
Cumulative collection efficiency ¹	96.47%
Cumulative prepayment rate ²	29.91%
Monthly prepayment rate	2.37%
Loss cum 0+ dpd (% of initial pool principal) ³	16.80%
Loss cum 30+ dpd (% of initial pool principal) ⁴	10.22%
Loss cum 90+ dpd (% of initial pool principal) ⁵	4.19%
Breakeven collection efficiency ⁶	63.03%
Cumulative cash collateral (CC) utilisation	0.00%
CC available (as % of balance pool)	13.48%
Excess interest spread (EIS) (as % of balance pool) ⁷	44.72%
Principal subordination (% of balance pool principal)	4.70%

¹ Cumulative collections / (Cumulative billings + opening overdue at the time of securitization)

² Principal outstanding at the time of prepayment of contracts prepaid till date/ initial pool principal

³ Unbilled and Overdue Principal portion of contracts delinquent for more than 0 days, as a % of Initial Pool Principal

⁴ Unbilled and Overdue Principal portion of contracts delinquent for more than 30 days, as a % of Initial Pool Principal

⁵ Unbilled and Overdue Principal portion of contracts delinquent for more than 90 days, as a % of Initial Pool Principal

⁶ (Balance Cash flows payable to investor – CC available) / Balance Pool Cash flows

⁷ (Pool Cashflows till PTC maturity month– Cashflows to PTC A1 – originator's residual share)/ Pool Principal outstanding

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and principal payout (97.00% of the pool principal billed). The balance principal (3.00% of the pool principal billed) is expected to be paid on a monthly basis until the maturity of Series A1 SNs. Any surplus excess interest spread (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 principal. Following the payment of Series A1 SNs in full, the principal for the equity tranche is to be paid monthly on expected basis (to the extent of billing).

Key rating drivers and their description

Credit strengths

Buildup in credit enhancement available in the structure – The rating factors in the build-up in the credit enhancement with cash collateral increasing to ~13% of the balance pool principal compared to 8% at time of securitisation. Internal credit support is also available through principal subordination of ~4% and EIS of ~40% of the balance pool principal.

Adequate servicing capability of the originator – The company has adequate processes for servicing of the loan accounts in the securitised pool. It has a demonstrated track record of over 5 years of regular collections across a wide geography.

Contracts backed by self-occupied residential properties – A major part of the pool (80% of its contracts in terms of the balance pool principal) is backed by self-occupied residential properties. This is expected to support the quality of the pool as it has been observed that borrowers tend to prioritise repayments towards such loans even during financial stress.

Credit challenges

Weaker pool performance – The pool has witnessed a dip in the collections in recent months with monthly collection efficiency dropping to 90.0% post May 2026 payout. The softer bucket delinquency has thus increased with 0+dpd increasing to 16.8% after May 2026 payout compared to 10.7% after December 2025 payout. Consequently, the flow forward into harder buckets is also seen with latest 30% dpd and 90+ dpd increasing to 10.2% and 4.2% respectively. Nonetheless, ICRA draws comfort from the buildup in credit enhancement in the transaction due to moderate pool amortisation at ~37%.

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Telangana, Karnataka and West Bengal, contributing 88% to the balance pool principal amount. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

Exposed to interest rate risk – The transaction is exposed to interest rate risk as the underlying pool has fixed rate loans, whereas yield on SNs is floating (linked to 1-year ICICI MCLR rate).

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 pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 7.00% of the initial pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 6.0% to 20.0% 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

The key counterparties in the rated transaction are as follows:

Transaction Name	Orion Series 1
Originator	Unity Small Finance Bank
Servicer	Unity Small Finance Bank
Trustee	Catalyst Trusteeship Limited
CC holding Bank	ICICI Bank Limited
Collection and payout account Bank	ICICI Bank Limited

Liquidity position: Strong

The liquidity for the SNs instrument is strong after factoring in the credit enhancement available to meet the promised payout to the investors. The total credit enhancement would be 3.55 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The rating could be upgraded if the pool witnesses a significant rise in the collection efficiency from the current levels, 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 (Unity SFB) could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pool till May 2026 (payout month), the present delinquency levels and the credit enhancement available in the pool, and the performance expected over the balance tenure of the pool.

Analytical Approach	Comments
Applicable rating methodologies	Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Unity SFB is the 12th small finance bank (SFB) in India, promoted by the consortium of the Centrum Group and Resilient Innovations Private Limited. The RBI granted in-principle approval to CFSL, to set up an SFB under the general guidelines for the on-tap licensing of SFBs in the private sector, as a part of the revival/reconstruction of PMC Bank in June 2021. The licence to set up the SFB was issued in October 2021.

BharatPe acquired a 49% stake in Unity SFB while CFSL holds 51%. Further, as a part of this transaction, the entire business (assets and liabilities) of CFSL and CML was transferred to Unity SFB via a slump sale. CFSL serves as the holding company of Unity SFB with no other operations. Currently, Unity SFB primarily has the existing SME/MSME/supply chain/microfinance asset base of CFSL and CML and receives digital platform and technology support from BharatPe. Unity SFB commenced active

operations from November 1, 2021 with an upfront equity base of Rs. 1,105 crore. As the second leg of this transaction, PMC Bank was amalgamated with Unity SFB in accordance with the RBI's scheme for the recovery/resolution of the same. This was completed on January 24, 2022.

Key financial indicators

Unity SFB	FY2024	FY2025	FY2026
Total operating income	1,631	2,837	3,132.7
Profit after tax	439	482	159.1
Total assets	13,773	19,151	19,024
Gross NPA	4.36%	5.83%	5.56%
Net NPA	0.63%	1.54%	2.10%
CRAR	36.40%	29.0%	26.20%

Source: Unity SFB, 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

S. No.	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	Date & Rating in FY2023
					May 29, 2026	May 15, 2025	Nov 27, 2024	-	-
1	Orion Series 1	Series A1 SNs	76.84	46.94	[ICRA]AA(SO); Rating Watch with Negative Implications	[ICRA]AA(SO)	Provisional [ICRA]AA(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 instruments

Instrument	Complexity Indicator
Series A1 SNs	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 Type	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)*	Maturity Date	Current Amount Rated (Rs. crore)	Current Rating
Orion Series 1	Series A1 SNs	November 29, 2024	8.50%	March 16, 2034	46.94	[ICRA]AA(SO); Rating Watch with Negative Implications

Source: Company; *Floating, Linked to ICICI's 1YMCLR

Annexure III: List of entities considered for consolidated analysis

Not Applicable

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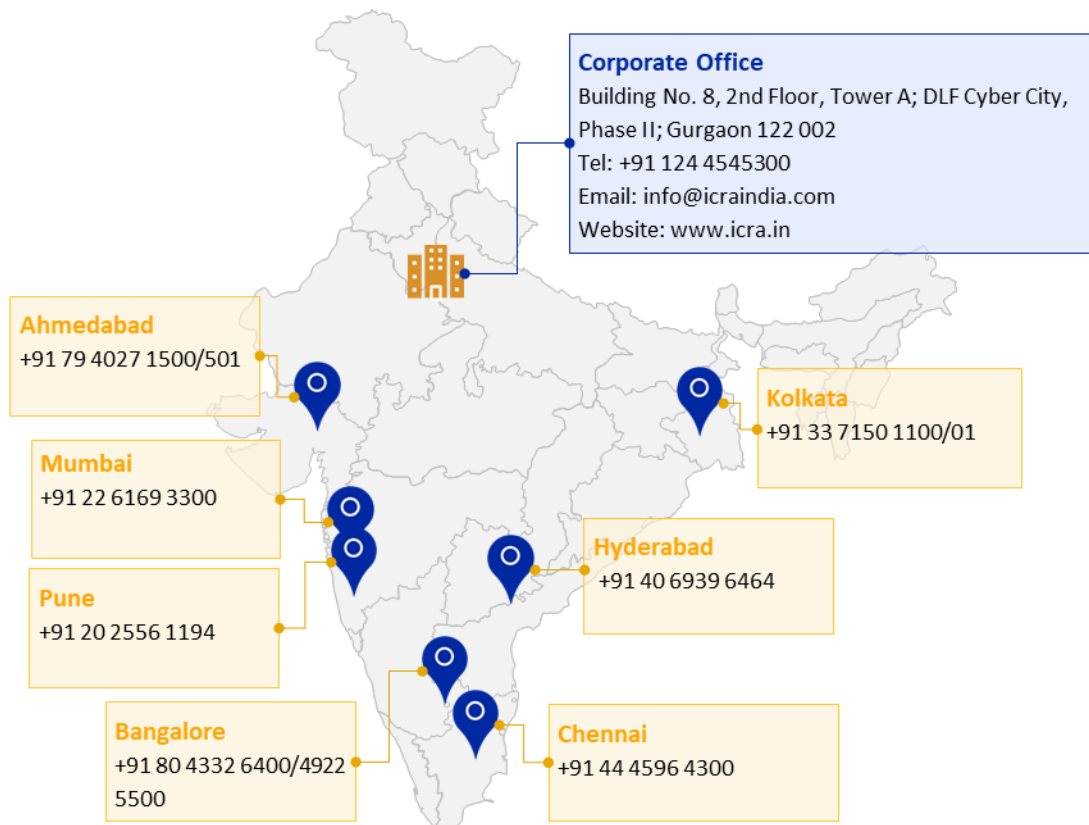


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