Meyer 03 2022

Originator: Ujjivan Small Finance Bank Limited

October 01, 2025

Instrument#	Amount (₹ crore)@	Balance Tenure (months)*	Credit Enhancement (₹ crore)		Rating[1]	Rating Action
			Cash Collateral	Subordination (OC+ Equity Tranche)		
Series A1 SNs	63.32	193	8.11	12.98	CARE AAA (SO)	Reaffirmed
Equity Tranche SNs	8.11			4.87	CARE AA (SO)	Reaffirmed

Details of facilities/instruments in Annexure-1

@After August 2025 payout.

*Tenure/door-to-door maturity may change due to prepayments or changes in interest rates.

Series A1 securitisation notes (SNs) are rated for timely payment of interest and timely payment of 92% of the principal billing every month while the remaining 8% principal is promised to be paid by the final legal maturity date. The equity tranche SNs are rated for payment of interest and principal by final legal maturity.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has reaffirmed ratings of Series A1 SNs and Equity Tranche SNs at 'CARE AAA(SO) [pronounced as Triple A (Structured Obligation)] and 'CARE AA(SO)' [pronounced as Double A (Structured Obligation)] respectively, issued by Meyer 03 2022, backed by loan against property (LAP) receivables originated by Ujjivan Small Finance Bank Limited (USFBL).

Reaffirmation is primarily based on performance of underlying loans in the last 41 months post-securitisation, robust legal structure, well-defined payment mechanism, significant build-up in cash collateral (CC) and principal subordination (comprising of OC and Equity Tranche) – as a percentage of the balance amount of securitisation notes (SNs), subordination of excess interest spread (EIS), servicing capability and overall performance of USFBL.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors - Factors that could, individually or collectively, lead to positive rating action/upgrade:

For Series A1 SNs – None

For Equity Tranche SNs:

- Delinquencies (90+ days past due [DPD]) of less than 2% and sustained high collection efficiency (cumulative collection efficiency of over 98%).

Negative factors - Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Delinquencies (90+ DPD) of over 5% and sustained lower collection efficiency (cumulative collection efficiency of less than 90%).
- Deterioration in the credit profile of the originator.
- Utilisation of CC.
- Non-adherence to key transaction terms envisaged at the time of the rating.

Analytical approach

Reaffirmation is based on inter alia, observed and expected pool performance, presence of credit enhancement (CE) and adherence to the transaction structure.

Detailed description of key rating drivers

Pool Performance:

The pool has amortised by ~53% in 41 months post-securitisation, with nil utilisation of CC. The pool has exhibited low delinquencies. As on August 2025, overdue (OD; as a percentage of the initial principal outstanding [POS]) is 0.69%. The CE available is sufficient to sustain ratings for the balance tenure.

[1]Complete definitions of ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

Pool summary (as of Aug-25 payout)	
Months post-securitisation	41
Pool amortisation	52.97%
30+ delinquency (percentage of the initial pool POS)	4.11%
90+ delinquency (percentage of the initial pool POS)	2.89%
Overdue amount (percentage of the initial pool POS)	0.69%
Cumulative Collection Efficiency [CCE]	97.99%
CC (percentage of the balance SN POS)	11.35%
Cumulative prepayments	35.79%

Key strengths:

- CC as a percentage of SN POS is 11.35%, which remains unutilised, and subordination (comprising over collateral and equity tranche), which is 19.62% of SN POS.
- The pool has performed on expected lines for 41 months (post-securitisation) and has amortised by ~53% and a cumulative collection efficiency of ~98%.
- Well-defined payment mechanism and adherence to the transaction structure.

Key weakness:

- Moderate delinquencies 90+ DPDs at 2.89% (as a percentage of initial pool POS).
- Moderate state concentration in the pool with top three states accounting for 73.80% of the balance pool.

Liquidity: Strong

Inherent liquidity in the structure is strong. Interest and principal payouts for Series A1 SNs are promised monthly. Equity Tranche SNs are fully subordinated to Series A1 SNs. Interest and Principal payouts of equity tranche holders are promised to be paid by final legal maturity. In case of delinquencies, payouts are expected to be supported by CE consisting of CC (in the form of fixed deposit), subordination of Equity Tranche SN (for Series A1 SN), principal subordination in the form of over collateral and EIS.

Key rating assumptions and adequacy of credit enhancement:

CareEdge Ratings has analysed the transaction to assess whether the CE is sufficient to cover shortfalls. Since the transaction is sensitive to the credit quality of the underlying pool, CareEdge Ratings has analysed the performance of the pool and the overall portfolio performance of the originator. Considering borrower profile and nature of loan, pool characteristics and portfolio performance, CareEdge Ratings has taken average shortfall from 4.00-5.00% of the POS. Base case shortfalls were stressed along with other key factors such as timing of shortfalls, recovery assumptions, and time to recovery. CareEdge Ratings has found that the CE provided is sufficient to cover shortfalls in a stress scenario commensurate with the assigned rating. Pool cash flow has been further adjusted for prepayments of underlying loans, assuming monthly prepayments in the range of 0.50-1.00%.

Key risks, concerns and mitigants:

The securitisation transaction involves several risks, including credit risk from borrower defaults, commingling risk due to time lags in fund deposits, basis risk from differing interest rate benchmarks, prepayment risk from early principal repayments, servicer bankruptcy risk, legal risk regarding the validity of receivable transfers, and counterparty risk involving transaction parties. These risks are factored while assigning rating, wherever needed, and partially mitigated through credit enhancements, separate record-keeping, credit rating/profile of the originator, transaction structuring, true sale of receivables, legal opinion from independent legal counsel. The transaction structure also has provision to change counterparties including trustee, banker among others.

Applicable criteria

Policy on Default Recognition
CARE Ratings' methodology for asset/mortgage-backed securitisation

About the originator / servicer and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Securitisation

USFBL is the third largest small finance bank in India, incorporated on July 04, 2016, and was a subsidiary of UFSL. UFSL was a Bengaluru-based microfinance company registered as NBFC-MFI with RBI. It has been in microfinance lending since 2005 and has operated through joint liability group (JLG) model in urban and semi urban areas and target customers who are salaried and self-employed women. UFSL was one of the 10 entities to be granted "in-principle" approval by Reserve Bank of India (RBI) on September 16, 2015, to set up a bank under the "Guidelines for Licensing of Small Finance Banks in the private sector" (Guidelines) issued by the RBI on November 27, 2014. On November 11, 2016, RBI granted the license to USFB to carry out the banking business in India. USFB formally commenced its operations on February 01, 2017, where in line with the terms with business transfer agreement (BTA) effective from February 01, 2017, entered between UFSL and USFB, entire assets/liabilities of UFSL had been transferred to USFBL. Per the listing norms requirement of RBI for SFBs, Bank concluded its IPO process and got listed on NSE and BSE on December 12, 2019. Post IPO, UFSL's shareholding stood at 83.32% in USFBL. USFBL is engaged in education institution loan business for over seven years and is an active player in securitisation/bilateral market and as of June 30, 2025, USFBL has four such live pools with initial size amounting to ~₹381 crore.

The bank completed its reverse merger with USFL in May 2024 by allotting equity shares per the share exchange ratio based on the share exchange ratio specified in the scheme - 116 equity shares each of USFB for every 10 equity shares of UFSL. RBI has approved appointment of Sanjeev Nautiyal as MD and CEO for a three-year term, effective July 01, 2024. He succeeded Ittira Davis.

On February 04, 2025, USFB submitted a formal application to the RBI for Universal Banking License per RBI Guidelines for 'on tap' Licensing of Universal Banks in the private sector.

Key financial indicators - USFBL

Brief financials (₹ crore)	FY23 (A)	FY24 (A)	FY25(A)
Total operating income	4,754	6,464	7,201
PAT	1,100	1,281	726
Interest coverage (times)	2.01	1.84	1.62
Total assets	33,317	40,422	47,468
Net NPA (%)	0.04%	0.28%	0.49%
ROTA (%)	3.86%	3.48%	1.65%

A: Audited; Note: these are latest financial results available.

Key terms of servicer contract:

The servicing agreement has covered role of the originator as the Collection and Payment Agent (CPA) for the SPV in managing collections from underlying borrowers, without informing them of the assignment. The Servicer (originator) follows its standard procedures for collections, including recovery actions, and ensures timely transfers of funds to the SPV under an M+1 payment structure. The trustee monitors the sufficiency of funds for investor payouts one day prior to payout date and utilises cash collateral in case of shortfall. The Servicer is also submitting detailed reports on billing, collections (including prepayment), overdue amounts with aging thereof, cash flow schedules to the trustee and such other information as may be required by the trustee. The terms of the agreement have provisions for the appointment of an alternate servicer in case of servicer event of default.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instruments/facilities: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities:

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Securitisation Notes	-	29-03-2022	8.95	17-09-2041	63.32	CARE AAA (SO)
Securitisation Notes	-	29-03-2022	9.00	17-09-2041	8.11	CARE AA (SO)

Annexure-2: Rating history for last three years:

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Securitisation Notes	LT	63.32	CARE AAA (SO)	-	1)CARE AAA (SO) (17-Oct-24)	1)CARE AAA (SO) (30-Oct-23)	1)CARE AAA (SO) (01-Nov-22) 2)CARE AAA (SO) (16-May-22)
2	Securitisation Notes	LT	8.11	CARE AA (SO)	-	1)CARE AA (SO) (17-Oct-24)	1)CARE AA (SO) (30-Oct-23)	1)CARE AA (SO) (01-Nov-22) 2)CARE AA (SO) (16-May-22)

LT-Long Term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of Instrument	Complexity Level
1.	Securitisation Notes	Highly complex

Annexure-5: Lender details

Not applicable

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Pradeep Kumar V Senior Director **CARE Ratings Limited** Phone: 044-2850 1000 E-mail: pradeep.kumar@careedge.in	Vineet Jain Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3456 E-mail: vineet.jain@careedge.in Sriram Rajagopalan Director **CARE Ratings Limited** Phone: +91-22-6754 3652 E-mail: sriram.rajagopalan@careedge.in Chirag Ashwin Gambhir Associate Director **CARE Ratings Limited** Phone: +91-22-6754 3423 E-mail: chirag.gambhir@careedge.in

About us:

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