IPO REVIEW

Aye Finance IPO

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- The company is engaged in MSMEs financing offering range of financial services.
- It has posted growth in its top lines for the reported periods, but marked stagnant bottom line for the last two fiscals.
- For H1 of FY26, though its top line grew, it marked lower bottom line following market conditions.
- Based on its recent financial data, the issue appears aggressively priced.
- Well-informed/cash surplus investors may park moderate funds for long term.

About the Company

Aye Finance Ltd. (AFL) is a non-banking financial company – middle layer (“NBFC-ML”) focused on providing loans to micro scale micro, small and medium enterprises (“MSMEs”) across India. The company offers a range of business loans for working capital and business expansion needs, against hypothecation of working assets or against security of property to customers across manufacturing, trading, service, and allied agriculture sectors.

It is among the leading non- banking financial companies (“NBFCs”) providing business loans to the largely underserved micro scale enterprises in India, with 586,825 active unique customers across 18 states and 3 union territories and with assets under management (“AUM”) of Rs. 6027.62 cr. as of September 30, 2025. (Source: CRISIL Report), with a CAGR of 42,60% between FY23-FY25. AFL offers small-ticket business loans with an average ticket size (“ATS”) on disbursement of Rs. 0.18 million to micro enterprises. Its expertise in underwriting business cash flows of a variety of business clusters has enabled the company to maintain stable credit costs and allowed it to profitably scale up operations. The company is the most geographically diversified lender amongst the Peer MSME Focused NBFCs. (Source: CRISIL Report).

In India, 98% of MSMEs are classified as micro enterprises, highlighting a substantial TAM for financial services. The emerging self-employed individuals and MSME segment is largely unaddressed by lending institutions in India. (Source: CRISIL Report) As of Fiscal 2025, MSME credit demand is estimated to be around Rs.159 trillion, of which 27% to 28% of demand is met through formal financing. (Source: CRISIL Report) As of Fiscal 2025, total addressable credit demand is estimated at approximately Rs. 76 trillion, out of which current formal financing stands at approximately Rs. 42 trillion taking the total addressable MSME credit gap to around ₹ 34 trillion, which needs to be met by financial institutions. (Source: CRISIL Report) Despite the significant demand, only a very limited number of organized NBFCs or banks serve these customers. Barriers to entry in this market include

high operational costs for servicing small-ticket loans, nuanced underwriting owing to limited or no available credit histories of borrowers, limited availability of data for underwriting and stringent regulatory requirements, which make it challenging for new entrants to effectively cater to this underserved segment. These discrepancies present a significant opportunity for financial institutions to address the unmet needs of this sector. (Source: CRISIL Report).

AFL offers a complete range of products, covering both secured and unsecured loans, to its target customer segment. As of September 30, 2025, it served customers through a pan- India network of 568 branches across 18 states and 3 union territories. As of the said date, it had 10459 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route combo IPO of 78294574 equity shares of Rs. 2 each (worth Rs. 1010 cr. at the upper cap). The IPO consists of fresh equity issue worth Rs. 710.00 cr. (approx. 55038760 equity shares at the upper cap), and an Offer for Sale (OFS) worth Rs. 300 cr. (approx. 23255814 equity shares (at the upper cap). The company has announced a price band of Rs.122 – Rs. 129 per equity shares of Rs. 2 each. The issue opens for subscription on February 09, 2026, and will close on February 11, 2026. The minimum application to be made is for 116 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 31.73% of the post-IPO paid-up equity capital. From the net proceeds of the fresh equity issue, the company will utilize entire net proceeds for augmenting its capital base.

The company has allocated not less than 75% for QIBs, not more than 15% for HNIs and not more than 10% for Retail investors.

The four Book Running Lead Managers (BRLMs) to this issue are Axis Capital Ltd., IIFL Capital Services Ltd., J M Financial Ltd., and Nuvama Wealth Management Ltd., while KFin Technologies Ltd., is the registrar to the issue. Nuvama Wealth Management Ltd., and JM Financial Services Ltd., are the syndicate members.

After issuing initial equity shares at par, the company has issued/converted further equity shares in the price range of Rs. 2.40 – Rs. 175.73 per share (based on FV of Rs. 2), between December 2014, and November 2025. The average cost of acquisition of shares by the promoters/selling shareholders is Rs. 2.00, Rs. 52.17, Rs. 58.01, Rs. 72.57, and Rs. 89.62 per share.

Post-IPO, its current paid-up equity capital of Rs. 38.35 cr. will stand enhanced to Rs. 49.36 cr. Based on the upper cap of the IPO price band, the company is looking for a market cap of Rs. 3183.52 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has posted a total income/net profit, of Rs. 643.34 cr. / Rs. 39.87 cr. (FY23), Rs. 1071.75 cr. / Rs. 171.68 cr. (FY24), and Rs. 1504.99 cr. / Rs. 175.25 cr. (FY25). For H1 of FY26 ended on September 30, 2025, it earned a net

profit of Rs. 64.60 cr. on a total income of Rs. 863.02 cr.

For the last three fiscals, the company has posted an average EPS of Rs. 8.72 and an average RoNW of 12.73 %. The issue is priced at a P/BV of 1.43 based on its NAV of Rs. 90.09 as of September 30, 2025, and at a P/BV of 1.30 based on its post-IPO NAV of Rs. 98.97 per share (at the upper cap).

If we attribute FY26 annualized earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at P/E of 24.62. Based on FY25 earnings, the P/E stands at 18.17. Thus, the issue appears aggressively priced.

Dividend Policy

The company has not declared any dividends for the referred periods of the offer document. It will adopt a dividend policy, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown SBFC Finance, and Five Star Business, as its listed peers. They are currently trading at a P/E of 24.4 and 12.0 (as of February 06, 2026). However, they are not truly comparable on an apple-to-apple basis.

Merchant Banker's Track Record

The four BRLMs associated with this offer have handled 141 public issues in the past three years, out of which 36 issues closed below the issue price on listing date.

Conclusion / Investment Strategy

AFL is engaged in MSMEs financing offering range of financial services. It has posted growth in its top lines for the reported periods, but marked stagnant bottom line for the last two fiscals. For H1 of FY26, though its top line grew, it marked lower bottom line following market conditions. Based on its recent financial data, the issue appears aggressively priced. Only well-informed/cash surplus investors may park moderate funds for long term

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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