



IPO Note

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# AYE FINANCE LIMITED

Feb 09<sup>th</sup>, 2026

AYE [आय]



Feb 09<sup>th</sup>, 2026**Details of the Issue**

Price Band	₹ 122 - ₹ 129
Issue Size	₹ 1,010 Cr
Face Value	₹ 2
Bid Lot	116
Listing on	BSE, NSE
Post Issue Mcap	₹ 3,183.52 Cr
Investment Range	₹ 14,152 - ₹ 14,964

**Important Indicative Dates (2025)**

Opening	09 - Feb
Closing	11 - Feb
Basis of Allotment	12 - Feb
Refund Initiation	13 - Feb
Credit to Demat	13 - Feb
Listing Date	16 - Feb

**Lead Manager**

Axis Capital Ltd
IIFL Capital Services Ltd
Nuvama Wealth Management Ltd
JM Financial Pvt Ltd

**Offer Details**

Offer Size	₹ 1,010 Cr
Fresh Issue	₹ 710 Cr
OFS	₹ 300 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	758	58.72	62.09	75
NII	152	11.74	12.42	15
Retail	101	7.83	8.28	10
Em- ploy.	-	-	-	-
Total	1,010	78.29	82.79	100

**Invest Now****Company Profile**

Incorporated in 1993, Aye Finance Limited is an NBFC focused on providing secured and unsecured working capital and property-backed loans to micro-scale MSMEs, catering to manufacturing, trading, services, and allied agriculture sectors; its product suite includes mortgage loans, 'Saraal' property loans, and secured and unsecured hypothecation loans, and the company serves 586,825 active customers across 18 states and three union territories with a sizable AUM, supported by a growing on-ground workforce that expanded from 5,724 employees in FY23 to 10,459 as of September 30, 2025.

**GEPL's Insights & Investment Thesis:**

- Aye Finance Ltd is an NBFC that provides loans to micro-scale MSMEs in different sectors. Over the years, the company grown its AUM to approximately INR 6,000 crore, however, its asset quality has deteriorated with GNPA's increasing from 2.5% in FY23 to 4.9% in 1H FY26.
- The company's profitability has been declining due to higher operating costs, NIM compression, and a sharp rise in impairment costs.
- Based on the FY25 earnings, relative to the company's paid-up capital, the issue is priced at a P/BV ratio of 2.0x. We believe that the company faces the issue of deteriorating asset quality, higher credit costs, higher operating expenses, NIM compression, and rise in impairment costs. Therefore, we recommend a "Avoid" rating for the issue.

**Business Highlights & Services**

Among MSME-focused NBFC peers, the Aey Finance stands out by offering a complete suite of secured and unsecured small-ticket loans, enabling it to address a wider customer base, including borrowers seeking working-asset hypothecation beyond LAP loans. Aey share in MSME lending has risen from 9.2% in FY19 to 16.6% in FY25 and is expected to increase further, especially in the ₹0.10-0.50 mn loan segment where banks face execution and cost challenges. The company has ~5.87 lakh active customers across 70+ MSME clusters, the company has the largest customer base among peer MSME-focused NBFCs, reducing concentration risk and supporting scalable growth. Low average ticket size (~₹0.18 mn), monthly repayment structure, and a balanced secured-unsecured mix enhance affordability, portfolio granularity, and credit discipline while sustaining healthy yields.

The company's has strong on-ground knowledge of micro enterprises enables superior underwriting, customer acquisition, and retention in a segment largely unaddressed by traditional lenders, creating a durable competitive moat. The company has demonstrated strong, scalable growth with AUM expanding at a ~30% CAGR from ₹27.2 bn in FY23 to ₹55.3 bn in FY25, further rising to ₹60.3 bn by Sep'25, supported by robust disbursement momentum and a steadily expanding customer base. Growth is well-diversified geographically, with presence across 415 districts, 18 states and 3 UTs, and no single state contributing more than ~16% of AUM lowest concentration among peer MSME-focused NBFCs—providing resilience against regional disruptions. A fully in-house, branch-led sourcing model enhances underwriting quality, reduces mis-selling risk and early delinquencies, while driving industry-leading productivity metrics, including highest AUM per branch, AUM per employee, and loans per employee.



High customer stickiness, evidenced by strong repeat loan conversion, low foreclosure rates, and a superior NPS, creates a stable liability-light growth engine. Additionally, a large base of hypothecation borrowers owning property offers a clear runway for upselling higher-ticket mortgage loans, supporting sustainable growth, better unit economics, and rising lifetime customer value.

The company has built a strong and hard-to-replicate underwriting moat in MSME lending, a segment constrained by limited financial disclosures, small ticket sizes and weak collateral availability. Its proprietary business cluster-based underwriting model, developed through deep on-ground knowledge across 70+ clusters, enables accurate assessment of cash flows and margins using observable operating data rather than formal financials. This institutionalized cluster knowledge bank, built over years, creates high entry barriers for competitors. The framework is strengthened by data science-driven tools that reduce subjectivity, a centralized credit approval process that ensures consistency and risk discipline, and a robust technology platform delivering fast turnaround times. Branch proximity to clusters adds local intelligence, while post-disbursement monitoring and vigilance-led risk sampling protect asset quality. This integrated phygital underwriting approach supports low early delinquencies and non-starters, enabling scalable, risk-adjusted growth while profitably serving under-banked MSMEs.

The company is well positioned to capitalize on India's large and under-penetrated micro enterprise lending opportunity, offering a full suite of secured and unsecured MSME loans to address a structurally underserved market. With micro enterprises forming ~98% of India's 57.7 million MSMEs and a widening formal credit gap of ~₹117 trillion in FY25, specialized NBFCs are gaining share as banks remain constrained in small-ticket lending. Leveraging deep expertise across 70+ business clusters, a granular portfolio with low average ticket size (~₹0.18 million), and affordable repayment structures, the company serves the specific needs of micro businesses while maintaining prudent risk management. Its large and diversified base of ~5.9 lakh active customers reinforces strong franchise strength and provides a long runway for sustainable, scalable growth.

The company has demonstrated strong and consistent scale-up, with AUM growing ~2.2x from ₹27.2 bn in FY23 to ₹60.3 bn by Sep'25, supported by robust disbursement growth and an expanding customer base of ~5.9 lakh borrowers. Growth is structurally diversified, with presence across 415 districts, 18 states and 3 UTs, and the lowest state-wise AUM concentration among peer MSME-focused NBFCs, insulating the portfolio from regional risks. A fully in-house, branch-led sourcing model enhances underwriting quality, reduces mis-selling and drives industry-leading productivity metrics, including highest AUM per branch, AUM per employee and loans per employee, alongside faster turnaround times. Operating leverage has translated into the sharpest cost-to-income reduction among peers. High customer stickiness evidenced by strong repeat loan conversions, low foreclosure rates and a superior NPS combined with a large base of property-owning hypothecation borrowers provides a clear runway for repeat lending and mortgage upsell, supporting sustainable, capital-efficient growth with improving unit economics.

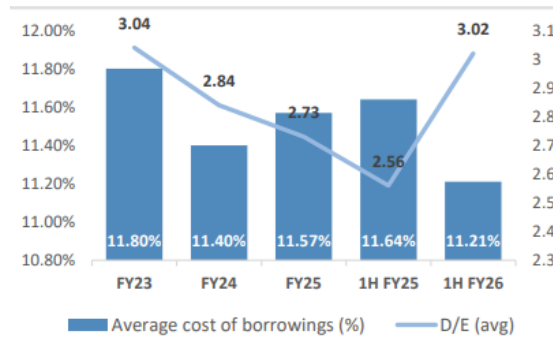
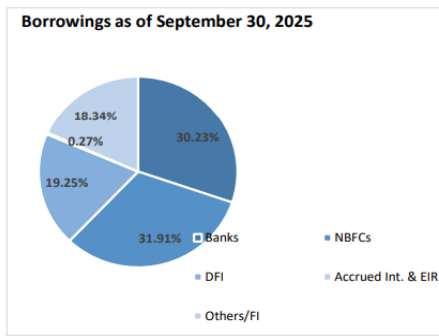
The company's funding strategy reflects a well-balanced, resilient and increasingly efficient liability franchise that supports sustainable growth. It benefits from a highly diversified lender base of 80+ institutions and a mix of funding instruments across bank borrowings, NCDs, securitisation/PTCs and ECBs, significantly reducing concentration, liquidity and refinancing risks. A calibrated leverage profile and improving credit ratings have enabled consistent access to capital at competitive costs, with average and incremental borrowing costs trending lower, supported by stable asset quality. A prudent ALM framework, marked by positive maturity mismatches and a shift toward longer-tenor, bank-led funding, enhances balance sheet stability. Ongoing diversification of capital sources, securitisation and co-lending partnerships further strengthen funding flexibility, lower cost of capital and provide a scalable platform to fund long-term growth while protecting margins in the micro MSME lending segment.



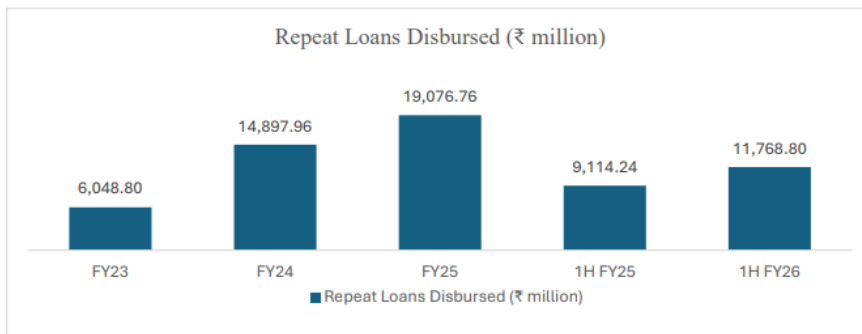
**Asset under Management**

Particular	1HFY25		FY25		FY24		FY23	
	Amount (In Cr)	% of Total AUM	Amount (In Cr)	% of Total AUM	Amount (In Cr)	% of Total AUM	Amount (In Cr)	% of Total AUM
Secured Hypothecation Loans	2,472	41%	2,414	43.62%	2,318	51.94%	1,731	63.60%
Unsecured Hypothecation Loans	2,289	38%	2,196	39.68%	1,692	37.91%	824	30.26%
Mortgage Loans	1,162	19%	814	14.72%	335	7.50%	51	1.86%
'Saraal' Property Loans	105	2%	110	1.98%	118	2.65%	116	4.27%
<b>Total Revenue</b>	<b>1,806</b>	<b>100%</b>	<b>5,534</b>	<b>100%</b>	<b>4,463</b>	<b>100%</b>	<b>2,722</b>	<b>100%</b>

**Borrowing Mix and Cost of Borrowing Trend**

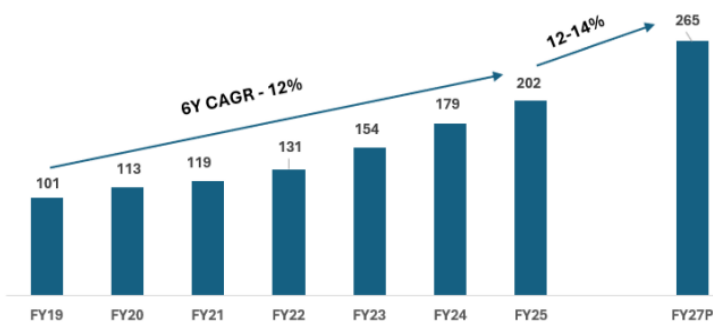


**Repeat Loan Disbursed**

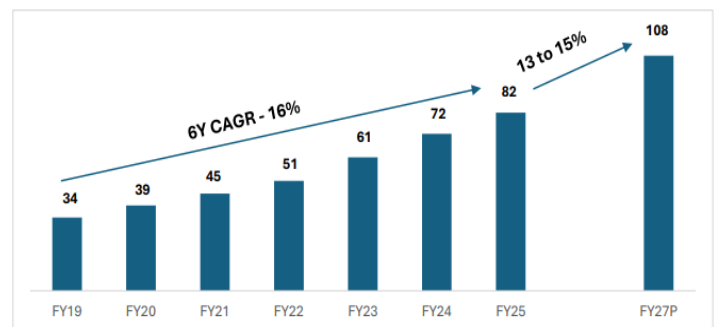


**Industry Outlook**

Systemic Credit to grow by 12% to 14% between Fiscal 2025 and Fiscal 2027



Retail credit growth is projected to have stable growth from Fiscal 2025 to Fiscal 2027



Peers Comparisons

Name of the company	Face Value (₹)	Total Revenue (In Cr)	EPS	P/E (x)	NAV (In INR)	RoNW(%)
Shadowfax Technologies Ltd	2	1,460	9.34	NA	88.38	12.12
<b>Peers Group</b>						
SBFC Finance Ltd	10	1,306	3.21	27.32	29.10	11.57
Five Star Business Finance Ltd	1	2,848	36.61	12.07	214	18.65

Company's Competitive Strength

- Leading Lender of Small-Ticket Loans to Micro Scale MSMEs with Comprehensive Product Offerings and Focus on Serving Large and Un-addressed TAM.
- Strong Sourcing Capabilities Supported by a Diversified Pan-India Presence and High Customer Retention.
- Effective Underwriting Methodology.
- Robust Multi-Tiered Collection Capabilities.
- Building Resilience through Technological Prowess.
- Access to Diversified Lender Base and Cost-Effective Financing.
- Experienced and Professional Management Team backed by Marquee Investors with a Committed Employee Base.

Key Strategies Implemented by Company

- Increasing AUM per branch by increased penetration in the target segment.
- Growing the Mortgage Loan Portfolio.
- Leveraging Technology and Data Sciences for Improving Productivity and Scalability.
- Improving Operating Leverage.
- Optimizing Borrowing Costs and Diversifying Lender Base.

Particular (INR in Cr)	1HFY26	FY25	FY24	FY23
Interest Income	734	1326	949	567
Interest Expenses	259	468	327	198
<b>Net Interest Income</b>	<b>475</b>	<b>858</b>	<b>622</b>	<b>369</b>
Other Operating Income	129	179	123	77
<b>Total Income</b>	<b>604</b>	<b>1037</b>	<b>745</b>	<b>445</b>
Operating Expenses	318	520	380	294
<b>Operating Profit before Provision</b>	<b>286</b>	<b>517</b>	<b>365</b>	<b>151</b>
Provision	204	292	138	80
<b>PBT</b>	<b>83</b>	<b>225</b>	<b>227.9</b>	<b>71</b>
Tax	18	50	56	32
<b>PAT</b>	<b>65</b>	<b>175</b>	<b>172</b>	<b>40</b>
ROA (%)	1.9	3.1	4.3	1.3
ROE (%)	7.6	12.1	17.3	5.3



## Notes

### GEPL Capital Pvt. Ltd

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