

Retail Research	IPO Note
Sector: BFSI (NBFC)	Price Band (Rs): 122 – 129
05 th February 2026	Recommendation: AVOID

Aye Finance Ltd.

Company Overview:

Aye Finance Ltd (AFL) is a middle layer NBFC focused on providing loans to micro scale MSMEs across India. It has an AUM of Rs 6,028 cr as of Sep'25. The company has 5,86,825 active unique customers across 18 states & 3 UTs as of Sep'25 through its diverse range of business loans for working capital & business expansion needs to customers across manufacturing, trading, service & allied agriculture sectors. Further, the company is among the leading NBFCs providing business loans to largely underserved micro scale MSMEs in India with an average disbursement ticket size of Rs 1.8 lakhs.

Key Highlights:

1. Focus on small ticket loans to micro MSMEs: AFL's deep understanding of MSME allows it to address specific unmet needs of customers that remain largely untapped by competitors. As of Sep'25, the company's services are available across 70+ industrial & business clusters within the MSME space. AFL has uniquely positioned itself to address specific business needs of MSMEs by offering both secured and unsecured loans to serve a large unaddressed segment, as a result its unique customers have increased from 3.0 lakh as of FY23 to 5.9 lakh as of Sep'25.

2. Strong sourcing capabilities: The company entirely relies on in-house origination to attract customers which ensures minimal compromise on quality and underwriting of lending risks is based on factual data. Further by eliminating dependence on direct selling agents or third party, AFL has been able to develop a better understanding of customers segment and reduce early delinquencies that can arise from mis-selling.

3. Robust multi-tiered collection capabilities: AFL's collection processes have been designed to address repayment behaviors of target customer segment, which involves a three-tiered in-house collection infrastructure consisting **a) tele-calling units** which include 310 call center staff at Gurugram and Bengaluru, **b) field collection teams** which include 3,095 loan advisors, 1,019 RMs and 880 'soft collection' as of Sep'25, and **c) legal & recovery team** that initiate proceedings when loans reach 90 DPD stage. As a result of this approach, its ratio of Stage 2 assets to gross loans were at the lowest among MSME focused peer NBFCs during FY25 and 1HFY26.

4. Access to diversified lender base: AFL's large lender base which includes public, private, small finance & foreign banks along with other NBFCs and other developmental financial institutions helps mitigate risks pertaining to liquidity, maturity mismatches, interest rates & concentration. Further, it has been rated "A" by ICRA & India Ratings with a 'B+' with positive outlook by CARE Edge Global, which ensures better financing terms. The company's vibrant securitization program supported by a diverse group of investors also provides stability to funding structures during difficult credit environment.

Valuation: Aye Finance Ltd. is a NBFC specialized in lending loans to India's underserved micro-scale enterprises. The company is shifting its focus towards asset-backed strategy by increasing the mix of mortgage loan which are higher-ticket and longer tenure loans. This is expected to lower credit cost for the company which is currently high at 7% (1HFY26 annualized) compared to its peers. Profit of the company has declined ~40% YoY in 1HFY26 primarily due to sharp rise in impairment cost, NIM compression and higher operating expenses. At the upper price band of Rs 129, the issue is valued at Adj. P/BV of 2.0x on post-issue capital. We would like to monitor the progress of reduction in credit cost with the company's mortgage-heavy loan mix strategy. Hence, we recommend investors to AVOID the issue and track the company's performance post listing.

Issue Details	
Date of Opening	09 th February 2026
Date of Closing	11 th February 2026
Price Band (Rs)	122 – 129
Offer for sale (Rs cr)	300.0
Fresh Issue (Rs cr)	710.0
Issue Size (Rs cr)	1,010.0
Total issue size	7,82,94,574 shares at upper price band
Face Value (Rs)	2.0
Post Issue Market Cap (Rs cr)	3,049 – 3,184
BRLMs	Axis Capital Ltd, IIFL Capital Services Ltd, JM Financial Ltd, Nuvama Wealth Management Ltd.
Registrar	KFin Technologies Ltd
Bid Lot	116 shares and in multiple thereof
QIB shares	75%
Retail shares	15%
NII shares	10%

Objects of Issue	
	Estimated utilization from gross proceeds (Rs cr)
Augment the company's Tier – I capital base and utilization towards onward lending	-
General corporate purposes*	-
Gross proceeds from fresh issue*	710.0

*To be finalized upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC. The amount to be utilized for general corporate purposes alone shall not exceed 25% of the Gross Proceeds.

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	-	-
Public & Others	19,17,45,507	100.0
Total	19,17,45,507	100.0

Post Issue @ Upper Price Band	No. of Shares	%
Promoter & Promoter Group	-	0.0
Public & Others	24,67,84,267	100.0
Total	24,67,84,267	100.0

Shareholding selling through OFS	Classification	Amount (Rs cr)
MAJ Invest Financial Inclusion Fund II	Public – Corporate	139.8
CapitalG	Public – Corporate	82.5
Alpha Wave India I	Public – Corporate	30.0
LGT capital Invest	Public – Corporate	30.0
Vikram Jetley	Public – Individual	17.7
Total		300.0

Source: RHP, SBICAP Securities Research

Key Financials

Particulars (Rs cr)	FY23	FY24	FY25	1HFY26*
NII	368.5	622.2	858.0	475.0
YoY%	-	68.8	37.9	15.6
PPOP	151.3	365.4	517.5	286.3
YoY%	-	141.5	41.6	13.7
PAT	39.9	171.7	175.3	64.6
YoY%	-	330.6	2.1	(40.1)
EPS (Rs)	1.6	7.0	7.1	2.6
PE (x)	79.8	18.5	18.2	24.6
P/BV (x)	4.2	2.6	1.9	1.8
Adj. P/BV (x)	4.4	2.7	2.0	2.0
RoA (%)	1.3	4.3	3.1	1.9
RoE (%)	5.3	17.3	12.1	7.6

*Note: P/E, RoA and RoE for 1HFY26 are annualized.

Source: RHP, SBICAP Securities Research

Risk Factors

- Default Risk:** The company typically serves micro scale MSMEs that are predominantly located in semi-urban areas including in Tier II, Tier III and Tier IV cities and towns, with annual turnovers ranging from Rs 20 lakh to Rs 1 cr and pose a higher risk of default than borrowers with greater financial resources and established credit histories. As a result, the company is subject to risk of default or non-payment by customers/borrowers which may adversely impact the company's performance.
- Asset Quality Risk:** During FY23/FY24/FY25/1HFY26, AFL's GNPA stood at 2.5%/3.2%/4.2%/4.9% respectively, while NNPA stood at 1.3%/0.9%/1.4%/1.8% respectively. Any failure to maintain asset quality or a failure to maintain adequate provisioning coverage may have an impact on the company's performance.
- Unsecured Loan Risk:** During FY23/FY24/FY25/1HFY26, unsecured loans stood at 30.3%/37.9%/39.7%/38.0% of the company's Total Assets Under Management. Any failure to recover the receivables in case of default may have an adverse impact on the company's performance.

Growth Strategies

- Increase AUM per branch by increasing penetration in target segment.
- Grow the mortgage loan portfolio.
- Leverage technology and data sciences to improve productivity and scalability.
- Improve operating leverage through staff productivity, automation, repeat loan conversion, etc.
- Optimize borrowing costs and diversify lender base.

Assets Under Management

Particulars	FY23		FY24		FY25		1HFY26	
	Rs cr	as a % of Total AUM	Rs cr	as a % of Total AUM	Rs cr	as a % of Total AUM	Rs cr	as a % of Total AUM
Secured Hypothecation Loans	1,731.0	63.6	2,318.3	51.9	2,413.8	43.6	2,471.9	41.0
Unsecured Hypothecation Loans	823.6	30.3	1,692.1	37.9	2,196.1	39.7	2,288.9	38.0
Mortgage Loans	50.6	1.9	334.6	7.5	814.4	14.7	1,162.0	19.3
'SaraI' Property Loans	116.3	4.3	118.3	2.7	109.6	2.0	104.8	1.7
Total	2,721.6	100.0	4,463.3	100.0	5,533.9	100.0	6,027.6	100.0

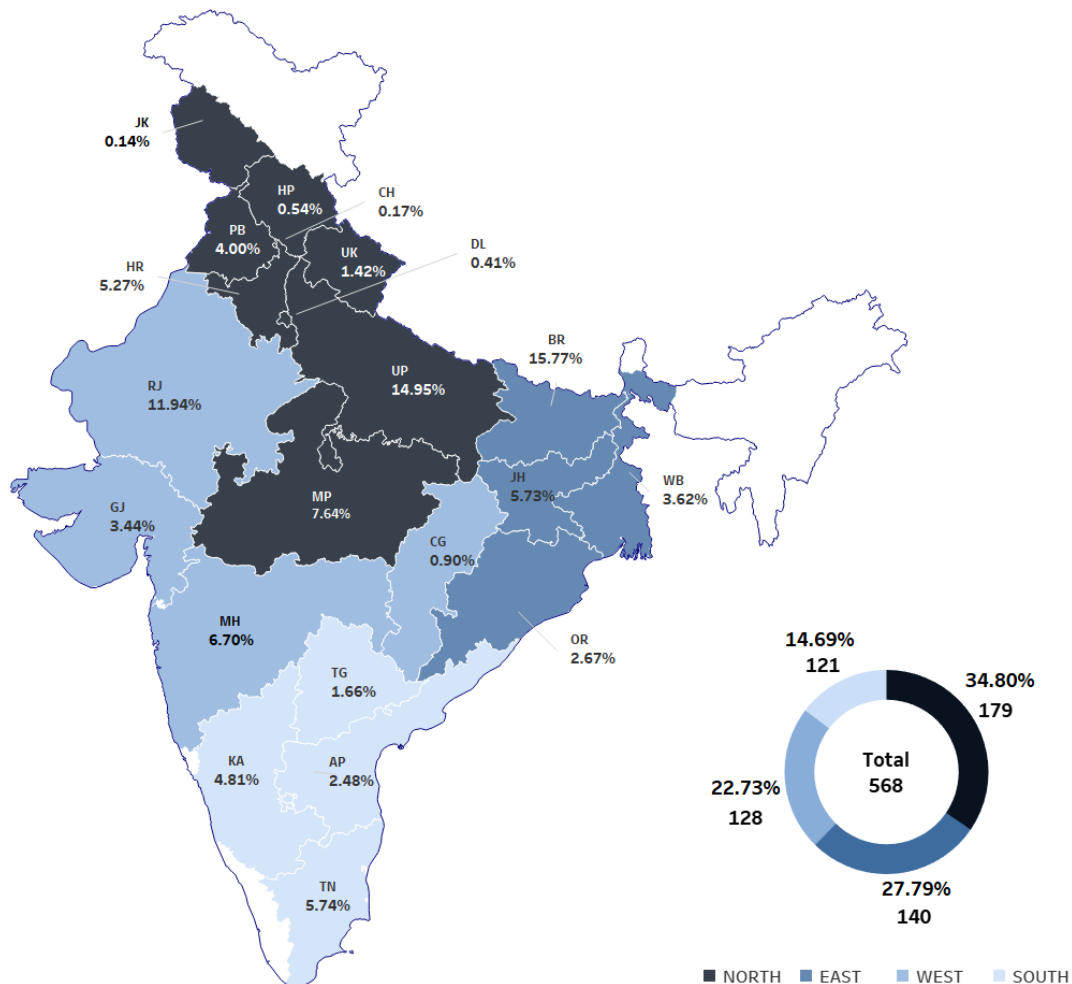
Source: RHP, SBICAP Securities Research

Product Offerings

Particulars	% of Total AUM as of Sep'25	Type of Collateral	Ticket Size	Average Tenor (months)	Interest Rate per annum as of Sep'25
Secured Hypothecation Loans	41.0	Fully secured against a contract of hypothecation of working assets, finished goods and machinery	Rs 50,000 - Rs 4 lakhs	6 months to 42 months	upto 32%
Unsecured Hypothecation Loans	38.0	Partly secured against a contract of hypothecation of working assets, finished goods and machinery	Rs 50,000 - Rs 4 lakhs	6 months to 42 months	upto 32%
Mortgage Loans	19.3	Fully secured against property collateral or a contract of hypothecation of working assets, finished goods and machinery	Rs 1 lakh to Rs 15 lakh	48 months to 180 months	upto 26%
'SaraI' Property Loans	1.7	Fully secured against property collateral or a contract of hypothecation of working assets, finished goods and machinery	Rs 60,000 to Rs 60 lakh	36 months to 60 months	upto 28%

Source: RHP, SBICAP Securities Research

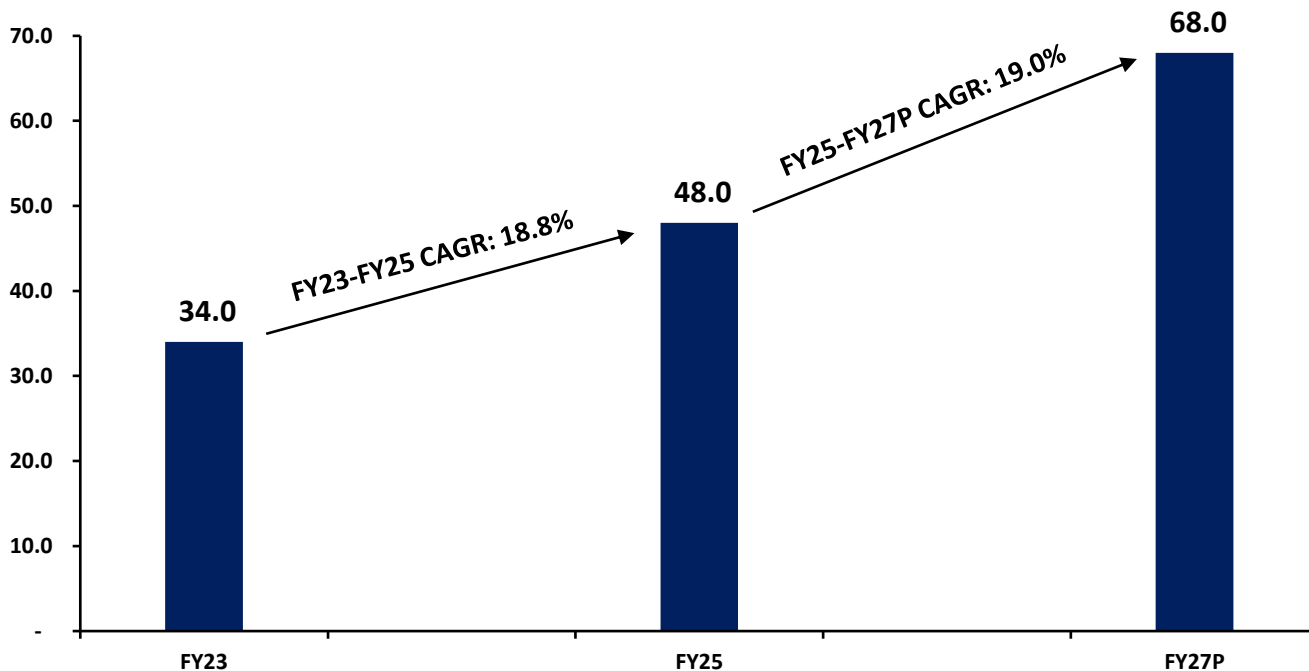
Geographical Penetration



Source: RHP, SBICAP Securities Research

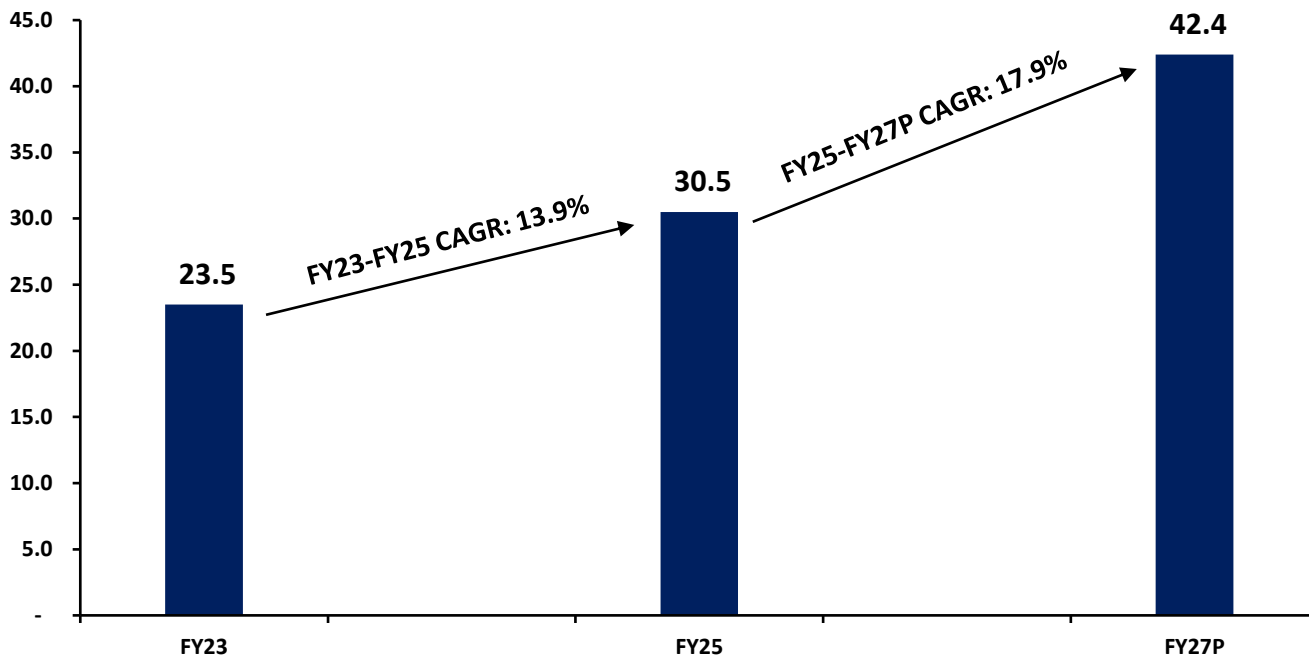
Industry Overview

Assets Under Management for NBFCs (Rs trillion)



Source: RHP, SBICAP Securities Research

Outstanding MSME Credit (Rs trillion)



Source: RHP, SBICAP Securities Research

Financial Snapshot

INCOME STATEMENT				
Particulars (Rs cr)	FY23	FY24	FY25	1HFY26
Interest Income	566.5	948.7	1,326.0	733.8
Interest Expense	198.0	326.5	468.0	258.9
Net Interest Income	368.5	622.2	858.0	475.0
Other Operating Income	76.9	123.1	179.0	129.2
Total Income	445.4	745.2	1,037.0	604.2
Operating Expenditures	294.1	379.8	519.5	317.9
Employee Expense	212.2	275.2	379.6	236.6
Other Expense	81.9	104.6	139.9	81.3
Operation Profit before Provision	151.3	365.4	517.5	286.3
Provisions	79.9	137.6	292.4	203.7
Operating Profit After Provision	71.4	227.9	225.0	82.6
Profit Before Tax	71.4	227.9	225.0	82.6
Provision for Tax	31.5	56.2	49.8	18.0
Current Tax	14.5	70.6	66.6	15.1
Deferred Tax	17.0	(14.5)	(16.8)	2.9
Profit After Tax	39.9	171.7	175.3	64.6

BALANCE SHEET				
Particulars (Rs cr)	FY23	FY24	FY25	1HFY26
Shareholders Fund	754.5	1,232.6	1,658.9	1,727.4
Share capital	30.5	39.9	37.8	37.8
Reserves and Surplus	724.0	1,192.7	1,621.1	1,689.6
Financial Liabilities	2,336.5	3,581.2	4,602.9	5,308.0
Borrowings	2,296.2	3,499.0	4,526.3	5,218.5
Other Financial Liabilities	40.4	82.2	76.5	89.5
Non-Financial Liabilities	35.0	55.8	76.9	80.7
Provisions	22.7	30.3	43.3	49.2
Tax Liabilities	-	-	4.6	4.6
Other non-financial liabilities	12.3	25.5	29.0	26.8
Total Equity and Liabilities	3,126.0	4,869.6	6,338.6	7,116.0
Financial Assets	3,059.8	4,774.6	6,190.7	6,936.0
Cash and Balances	272.6	526.6	931.2	1,145.1
Balances with Banks	121.4	203.7	206.7	227.8
Investments	84.5	10.6	41.8	66.6
Loans	2,555.4	4,003.1	4,950.2	5,382.3
Other Financial Asset	25.9	30.7	60.8	114.1
Non-financial Assets	66.2	94.9	147.9	180.0
Fixed Assets	27.6	34.7	44.7	60.4
Other Non- financial Assets	38.5	60.3	103.2	119.6
Total Assets	3,126.0	4,869.6	6,338.6	7,116.0

RATIOS				
Particulars	FY23	FY24	FY25	1HFY26*
Yield on Assets (%)	22.2	32.5	34.2	30.4
Cost of fund (%)	8.6	11.3	11.7	10.6
Spread (%)	13.5	21.2	22.5	19.8
NIM on Loans (%)	11.8	15.6	15.3	17.6
NIM on AUM (%)	13.5	17.3	17.2	16.4
Opex to Total Assets (%)	9.4	9.5	9.3	9.5
Opex to Total AUM (%)	10.8	10.6	10.4	11.0
Credit Cost (%)	2.9	3.8	5.9	7.0
GNPA (%)	2.5	3.2	4.2	4.9
NNPA (%)	1.3	0.9	1.4	1.8
PCR (%)	49.8	72.1	67.6	64.5
CRAR (%)	31.1	32.8	34.9	32.3
BVPS (Rs)	49.6	61.7	87.8	96.0
P/E (x)	79.8	18.5	18.2	24.6
P/BV (x)	4.2	2.6	1.9	1.8
Adj. P/BV (x)	4.4	2.7	2.0	2.0
RoA (%)	1.3	4.3	3.1	1.9
RoE (%)	5.3	17.3	12.1	7.6

**Valuation ratios are based on pre-issue capital at the upper price band*

P/E, RoA and RoE for 1HFY26 are annualized.

Source: RHP, SBICAP Securities Research

Peer Comparison – FY25

Particulars	Aye Finance Ltd	Five-Star Business Finance Ltd	SBFC Finance Ltd
CMP (Rs)	129	462	90
NII (Rs cr)	858	2,098	777
PAT (Rs cr)	175	1,072	345
M-Cap (Rs cr)	3,184	13,596	9,883
AUM (Rs cr)	5,534	11,877	8,747
NIM (%)	15.3	16.1	9.9
Credit Cost (%)	5.9	0.7	0.9
ROA (%)	3.1	8.2	4.4
ROE (%)	12.1	18.7	11.6
GNPA (%)	4.2	1.8	2.7
NNPA (%)	1.4	0.9	1.5
PCR (%)	67.6	51.3	45.7
P/BV (x)	1.9	2.2	3.1
Adj. P/BV (x)	2.0	2.2	3.2
P/E (x)	18.2	12.7	28.6

For Aye Finance Ltd, the Market Cap, P/E(x), P/BV (x) and P/EV (x) are calculated on post-issue equity share capital based on the upper price band.

CMP for peer companies is closing price as on 4th February, 2026.

Source: RHP, Exchange Filings, SBICAP Securities Research

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