



SMC Ranking

★ ★ ☆ ☆ ☆ (2/5)

### Issue Highlights

Industry	NBFC
Offer for sale (Shares)	23255813
Fresh Issue (Shares)	55038759
Net Offer to the Public	7,82,94,572
Issue Size (Rs. Cr.)	955-1010
Price Band (Rs.)	122-129
Offer Date	09-Feb-26
Close Date	11-Feb-26
Face Value	2
Lot Size	116

### Issue Composition

	In shares
Total Issue for Sale	7,82,94,572
QIB	3,91,47,286
NIB	1,17,44,186
Retail	2,74,03,100

### About the company

Incorporated in 1993, Aye Finance Limited is a non-banking financial company (NBFC) engaged in providing secured and unsecured small business loans to micro-scale MSMEs. The Company offers working capital and business expansion financing through a range of products, including mortgage loans, 'Saral' Property Loans, and secured and unsecured hypothecation loans. Aye Finance primarily serves customers operating in the manufacturing, trading, services, and allied agriculture sectors, with loans typically secured against business assets or property. As of September 30, 2025, the Company served 586,825 active customers across 18 states and three union territories in India and managed a significant level of assets under management. Its Product Offerings include, Mortgage Loans, 'Saral' Property Loans, Secured Hypothecation Loans & Unsecured Hypothecation Loans. During the six months ended September 30, 2025 and September 30, 2024, and in Fiscals 2025, 2024, and 2023, Aye Finance employed 10,459, 8,388, 9,102, 6,825, and 5,724 full-time employees, respectively, across its India operations.

### Strengths

**Leading Lender to Micro-Scale MSMEs with Comprehensive Product Suite and Access to a Large Untapped Market:** Aye Finance is a leading provider of small-ticket loans to micro-scale MSMEs, distinguished by its comprehensive portfolio of secured and unsecured products tailored to an underserved and underpenetrated segment. Operating across more than 70 business clusters, the Company leverages deep sectoral understanding to serve customers through an extensive branch network and its supply-chain finance platform, SwitchPe. As of September 30, 2025, Aye Finance served 586,825 active customers—the largest base among peer MSME-focused NBFCs—with an average ticket size of approximately ₹0.18 million and flexible monthly repayment structures. This focused approach enables the Company to address the financing needs of micro enterprises effectively while managing credit risk and capitalizing on the significant growth potential within India's MSME lending market.

**•Strong Sourcing Capabilities Backed by Pan-India Presence and High Customer Retention:** The Company's sourcing strength is reflected in consistent growth in AUM, disbursements, and active customers, supported by a well-diversified pan-India footprint and strong customer loyalty. With 568 branches across 415 districts in 18 states and 3 union territories, geographic concentration risk is mitigated, with no single state contributing more than 15.77% of AUM. Aye Finance operates a fully in-house, branch-led sourcing model, supported by a large on-ground team and improving employee productivity. High repeat-loan conversions, low foreclosure rates, and an industry-leading Net Promoter Score underscore strong customer retention,

### Shareholding Pattern (%)

Particulars	Pre-issuePost -issue	
Promoters & promoters group	0.00%	0.00%
QIB	98.81%	83.21%
NIB	1.19%	5.68%
Retail	0.00%	11.10%
Total	100.00%	100.00%

\*calculated on the upper price band

### Objects of the Issue

1. Gross proceeds of the Fresh Issue.
2. (Less) Estimated Offer related expenses in relation to the Fresh Issue.

### Book Running Lead Manager

- Axis Capital Limited
- IIFL Capital Services Limited
- JM Financial Limited
- Nuvama Wealth Management Limited

### Name of the registrar

- KFin Technologies Limited

enabling sustainable growth through repeat lending and cross-selling at lower acquisition costs

**Differentiated and Robust Underwriting Framework:** Aye Finance has developed a proprietary underwriting methodology tailored to micro-scale MSMEs that typically lack formal financial documentation or collateral. The cluster-based underwriting framework leverages deep insights across over 70 business clusters spanning manufacturing, trading, services, and allied agriculture to estimate cash flows using observable operational indicators. This is supported by advanced data science models and a 'phygital' operating structure that combines localized branch intelligence with centralized decision-making. Strong post-disbursement monitoring and field oversight further reinforce credit discipline, contributing to healthy asset quality and low early-stage delinquencies.

**Strong Multi-Layered Collections Infrastructure:** The Company's collections capability is anchored in a data-driven, three-tier in-house model comprising tele-calling, field collections, and legal recovery teams, designed to align with the repayment behavior of micro-enterprise borrowers. High penetration of ACH mandates, predictive machine-learning models, and timely pre-EMI reminders enable early delinquency identification and intervention. As of September 30, 2025, Stage-2 assets stood at 1.65%, reflecting strong collection effectiveness. A robust local field presence, supported by technology-enabled tracking and prioritization, and a structured escalation mechanism for accounts beyond 90 DPD underpin superior collection performance relative to peers.

**•Scalable 'Phygital' Model Driven by Technology and Data Science:** Aye Finance operates a scalable 'phygital' model that integrates physical branch outreach with strong digital capabilities across sourcing, underwriting, disbursement, and collections. A cloud-based technology architecture enables end-to-end automation, including paperless processing, digital repayments, and automated cluster-based underwriting, while maintaining robust data security. In-house data science and AI teams deploy machine-learning models across the customer lifecycle to enhance credit assessment, risk monitoring, and collection efficiency. A customer-friendly mobile application further enhances transparency and convenience, supporting cost efficiency, scalability, and consistent service delivery

**Diversified Funding Profile and Competitive Cost of Capital:** The Company benefits from a diversified and resilient funding structure, supported by a balanced mix of equity and debt and a stable debt-to-equity profile. Aye Finance has access to 82 lending partners, including banks, financial institutions, capital markets, multilateral agencies, and investors, with funding instruments spanning term loans, WCDLs, PTCs, NCDs, and ECBs. Improved credit ratings, a dynamic securitisation program, and a strategic shift toward stable bank funding have enabled access to competitive borrowing costs and strong liquidity across cycles. Disciplined asset-liability management with favorable maturity profiles further supports sustainable growth and risk mitigation.

**Experienced Management Team Supported by Marquee Investors and Strong Governance:** Aye Finance is led by an experienced and professional management team with deep expertise across banking, financial services, technology, risk, and operations, supported by a seasoned Board providing robust governance and

strategic oversight. Founded by Sanjay Sharma, a former senior banking executive with experience across leading global and Indian institutions, the leadership team brings strong execution capabilities and a nuanced understanding of India's micro-enterprise ecosystem. Regional and functional leaders with proven track records drive operational scale-up across credit, technology, and collections. Backed by reputed global and domestic investors and recognized as a Great Place to Work, the Company's leadership strength underpins its long-term growth and strategic vision.

### Strategies

**Increasing AUM per Branch through Deeper Penetration:** The Company's growth strategy focuses on enhancing AUM per branch by deepening customer engagement and expanding product penetration within existing locations. As branches mature, higher AUM is expected through repeat lending, cross-selling, and the up-selling of secured mortgage products. New branch additions are being calibrated to prioritize operational efficiency, with selective expansion into adjacent towns and districts to leverage infrastructure, logistics, and economies of scale.

**Scaling the Mortgage Loan Portfolio:** Aye Finance has significantly expanded its mortgage portfolio, increasing its share from 1.86% as of March 31, 2023, to 19.28% as of September 30, 2025. The Company aims to sustain this momentum to improve portfolio stability, profitability, and tenure profile. Growth will be driven by strengthening decentralized mortgage teams within the existing branch network and leveraging established customer relationships. The strategy combines open-market sourcing with systematic up-selling to existing hypothecation loan customers.

**Leveraging Technology and Data Science for Productivity and Scale:** The Company continues to invest in technology and analytics to enhance underwriting accuracy, collections efficiency, and operational scalability. Advanced analytics, surrogate data, image recognition, and straight-through processing are being integrated with cluster-based underwriting to improve credit outcomes and reduce turnaround times. Collections are being strengthened through geolocation analytics, digital repayment tools, and behavioral insights. Concurrent upgrades to core systems, API-led automation, RPA, and generative AI are expected to drive efficiency, strengthen risk management, and lower servicing costs.

**Enhancing Operating Leverage:** Aye Finance aims to improve operating leverage by driving higher employee productivity, increased automation, and favorable portfolio mix. Productivity gains across sourcing and credit teams, supported by process automation and focused training, are expected to continue. Further efficiencies will be realized through deeper integration of data science in operations and tele-collections. A rising share of mortgage loans, with larger ticket sizes and longer tenors, along with higher repeat-loan conversions, is expected to lower the cost-to-income ratio and enhance profitability.

**Optimizing Cost of Funds and Further Diversifying the Lender Base:** The Company remains focused on reducing borrowing costs, expanding its lender base, and maintaining prudent asset-liability management. Improved financial performance and consistent asset quality have enabled a decline in average and marginal borrowing costs, supporting margin expansion. Funding diversification remains a priority, with over 84 counterparties across banks, capital markets, ECBs, and co-

lending structures. Continued emphasis on long-term funding, credit rating upgrades, and selective co-lending partnerships is expected to strengthen liquidity, reduce concentration risk, and support sustainable growth.

### Risk Factors

- Aye Finance faces the risk of borrower defaults, which could impact financial performance. Gross NPAs increased from 2.49% as of March 31, 2023, to 4.21% as of March 31, 2025, and further to 4.85% as of September 30, 2025.
- The Company has reported negative operating cash flows in the past, which may affect liquidity.
- The business requires significant ongoing capital, and any disruption in funding sources could adversely affect operations and financial condition.
- Operations in semi-urban markets may lead to higher costs and execution challenges.

### Peer Comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Five-Star Bus.Fi	3179.66	1108.60	37.64	11.96	1.95	231.09	1	450.25	13261.86
SBFC Finance	1586.24	422.01	3.15	29.74	3.21	29.15	10	93.69	10276.42
Aye Finance Limited	921.95	132.05	5.35	24.11	1.27	101.50	2.00	129.00	3183.52

\*Peer companies financials are TTM based

\*\*Aye Finance Limited financials are based on TTM

### Valuation:

Considering the P/E valuation, on the upper end of the price band of Rs.129, the stock is priced at pre issue P/E of 18.73x on TTM EPS of Rs.6.89. Post issue, the stock is priced at a P/E of 24.11x on its EPS of Rs.5.35.. Looking at the P/B ratio at Rs.129, pre issue, book value of Rs. 93.60 of P/Bvx 1.38x. Post issue, book value of Rs. 101.50 of P/Bvx 1.27x.

Considering the P/E valuation, on the lower end of the price band of Rs.122, the stock is priced at pre issue P/E of 17.72x on TTM EPS of Rs.6.89. Post issue, the stock is priced at a P/E of 22.80x on its EPS of Rs.5.35. Looking at the P/B ratio at Rs.122, pre issue, book value of Rs. 93.60 of P/Bvx 1.30x. Post issue, book value of Rs. 101.50 of P/Bvx 1.20x.

### Industrial Outlook

The outlook for the Non-Banking Financial Company (NBFC) and MSME lending sector remains optimistic, strengthened by strong global growth and favorable structural factors in India. With global GDP growth anticipated to be 3.2% in 2025 and 3.1% in 2026 (IMF), the demand for domestic credit is being supported by a notable under-penetration in retail and MSME financing, particularly in rural and semi-urban areas that contribute 47% of GDP yet represent only approximately 9% of deposits and 8% of credit. NBFCs are strategically positioned to address this disparity by using technology, alternative data, and AI-driven underwriting, which facilitates quicker and more inclusive credit provision. The strong momentum is evident as unsecured retail

loans are projected to grow at a 24.6% CAGR from Fiscal 2019 to 2025, while secured MSME loans are expected to reach Rs. 8.2 trillion by Q1 Fiscal 2026. Enhancements in rural infrastructure, increased digital and smartphone usage, government support initiatives, and the rising formalisation of MSMEs are expected to further promote sustainable, long-term growth for the sector.

### Outlook

Aye Finance is well positioned to benefit from the large, underpenetrated micro-MSME lending opportunity, supported by its diversified product suite, strong sourcing network, robust underwriting, and technology-led 'phygital' model. Its strategy of deepening branch-level penetration, scaling secured mortgage lending, improving operating leverage, and optimizing funding costs is expected to support sustainable growth and profitability. While elevated NPAs, funding dependence, and semi-urban operating challenges remain key risks, disciplined risk management and experienced leadership provide resilience over the medium term.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
IPO Open Date	Monday, February 9, 2026
IPO Close Date	Wednesday, February 11, 2026
Tentative Allotment	Thursday, Feb 12, 2026
Initiation of Refunds	Friday, Feb 13, 2026
Credit of Shares to Demat	Friday, Feb 13, 2026
Tentative Listing Date	Monday, Feb 16, 2026

## Annexure

### Consolidated Financials

#### Profit & Loss

Particulars	Rs. in Cr.		
	Period ended 30-Sep-25 (3 Months)	Period ended 31-Mar-25 (12 Months)	Period ended 31-Mar-24 (12 Months)
Interest income	733.83	1325.964	948.686
Interest expenses	258.864	468.003	326.531
<b>Net Interest Income</b>	<b>474.97</b>	<b>857.96</b>	<b>622.16</b>
Other Operating Income	109.684	133.768	91.532
<b>Operating Profit</b>	<b>584.65</b>	<b>991.73</b>	<b>713.69</b>
Other Income	19.508	45.255	31.532
<b>Total Net Income</b>	<b>604.16</b>	<b>1036.98</b>	<b>745.22</b>
Other Expenses	510.237	789.811	502.819
<b>PBDT</b>	<b>93.92</b>	<b>247.17</b>	<b>242.40</b>
Depreciation	11.343	22.161	14.544
<b>PBT</b>	<b>82.58</b>	<b>225.01</b>	<b>227.86</b>
Tax	17.981	49.76	56.177
<b>PAT</b>	<b>64.60</b>	<b>175.25</b>	<b>171.68</b>

Balance sheet is on next page

## Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-25	As on 31-Mar-25	As on 31-Mar-24
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	1145.12	931.16	526.59
Bank balances other than (a) above	227.80	206.73	203.67
Derivative Financial Instruments	31.65	0.24	0.00
Loans	5382.33	4950.21	4003.12
Investments	66.60	41.76	10.61
Other financial assets	82.48	60.61	30.66
<b>Total Financial assets</b>	<b>6,935.98</b>	<b>6,190.71</b>	<b>4,774.65</b>
<b>Non-financial assets</b>			
Current tax assets (net)	28.11	18.41	8.28
Deferred tax assets (net)	58.21	60.98	43.94
Property, plant and equipment	15.58	12.10	8.96
Right of use assets	38.37	26.27	21.43
Intangible Assets under development	4.15	4.13	2.95
Intangible Assets	2.34	2.25	1.32
Other non-financial assets	33.27	23.78	8.07
<b>Total Non- Financial assets</b>	<b>180.03</b>	<b>147.92</b>	<b>94.95</b>
<b>Total assets</b>	<b>7,116.01</b>	<b>6,338.63</b>	<b>4,869.59</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Financial liabilities</b>			
Derivative financial instruments	0.00	0.00	3.15
Debt securities	1510.93	1418.13	1022.34
Borrowings (Other than Debt Securities)	3707.57	3108.20	2476.65
Lease liabilities	40.24	28.41	23.63
Other Financial liabilities	49.21	48.13	55.42
<b>Total Financial liabilities</b>	<b>5,307.95</b>	<b>4,602.87</b>	<b>3,581.20</b>
<b>Non-financial Liabilities</b>			
Current tax liabilities (net)	4.60	4.58	0.00
Provisions	49.24	43.33	30.29
Other non-financial liabilities	26.85	28.98	25.46
<b>Total Non- Financial liabilities</b>	<b>80.69</b>	<b>76.89</b>	<b>55.75</b>
<b>Total Liabilities</b>	<b>5388.64</b>	<b>4679.76</b>	<b>3636.95</b>
Net worth represented by:			
Equity Share Capital	37.79	37.79	39.93
Other equity	1689.58	1621.08	1192.72
<b>Net Worth</b>	<b>1,727.37</b>	<b>1,658.87</b>	<b>1,232.65</b>

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