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Aye Finance Ltd.

Aye Finance Ltd.

Issue Opens On
Feb 09, 2026

Issue Closes On
Feb 11, 2026

Listing Date
Feb 16, 2026

Price Band (INR)
122 – 129

Issue Size (INR Mn.)
10,100

About Company:

- Aye Finance Limited, founded in 1993, is a professionally managed non-banking financial company (NBFC) specializing in small-ticket business loans to micro, small, and medium enterprises (MSMEs).
- The company offers secured and unsecured loan products including mortgage loans, Saral property loans, secured hypothecation loans, and unsecured hypothecation loans, primarily targeting working capital needs of micro-scale enterprises with **average ticket size of 0.18 Mn.**
- Operating across 18 states and 3 union territories, Aye Finance serves **586,825 active clients** with **AUM of 60,276 Mn** as of September 2025.
- Its lending portfolio spans manufacturing, trading, services, and allied agriculture-related businesses, positioning it as a key player in underserved MSME credit markets.
- The Net Proceeds from the fresh issue will be used to augment the Company's capital base to support future requirements driven by the growth of its business and assets. Specifically, these funds will increase the Tier-I capital base to facilitate onward lending and ensure ongoing compliance with regulatory capital adequacy ratios.

Outlook:

Aye Finance operates in the high-growth MSME lending segment, benefiting from India's push for financial inclusion and formalization of small businesses. The company boasts strong AUM growth and expanding geographic footprint, although at **5.2% credit cost** as of FY25. The ROA/ROE hasn't been consistent which translate to discounted multiple, unless we're betting this reverses. The operating model strain with high people churn which can be seen at **65% Attrition** (FY25 and similar). That's a flashing red light in a people-heavy underwriting/collections business. High churn often translates to weaker credit discipline + higher opex + more fraud/operational drift risk. Also there is funding disadvantage for AYE compared to peers due to weaker credit rating.

Valuation:

The company at upper price band of Rs 129 imply a market cap of 3,184 crore which translate to **~1.3x Adj P/B ratio** which is at 20-30% discount to listed peers which we believe is justified given the above mentioned reasons. We believe the IPO is appears fully priced in.

Particulars (INR Mn.)	FY23	FY24	FY25
Net Interest Income (NII)	3,685	6,222	8,580
PROP	3,445	5,791	6,993
Profit After Tax	315	1,717	1,753
Diluted EPS	2.5	10.5	9.3

Source: IPO Prospectus, DevenChoksey Research

OFFER STRUCTURE

Particulars	IPO Details
No. of shares under IPO (Mn.)	78.3
Fresh issue (# shares) (Mn.)	55.0
Offer for sale (# shares) (Mn.)	23.3
Price band (INR)	122 – 129
Post issue MCAP (INR Mn.)	30,493 – 31,835

Issue	# Shares	INR Mn.	%
QIB	5,87,20,930	7,575	75%
NIB	1,17,44,186	1,515	15%
Retail	78,29,457	1,010	10%
Net Offer	7,82,94,574	10,100	100%

Shareholding Pattern	Pre Issue (%)	Post Issue (%)
Promoters	0.0%	0.0%
Public	100.0%	100.0%
Total	100.0%	100.0%

Objects of the Offer

To meet Company's future capital requirements arising out of growth of our business and assets

BRLM

Axis Capital Limited
 JM Financials Limited
 Nuvama Wealth Management Limited
 IIFL Capital Services Limited

Indicative Timetable

Offer Closing Date	Wednesday, Feb 11, 2026
Basis of Allotment	Thursday, Feb 12, 2026
Initiation of Refunds	Friday, Feb 13, 2026
Credit of Shares to Demat	Friday, Feb 13, 2026
Listing Date	Monday, Feb 16, 2026

Source: IPO Prospectus

RESEARCH ANALYST

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Aye Finance Ltd.

Company Overview

Product Offerings

Aye Finance Limited offers a variety of mortgage and hypothecation loan products with **ticket sizes from INR 0.05 Mn to INR 1.50 Mn, tenors of 6 to 180 months, and interest rates up to 32% PA** as of September 30, 2025.

Product Offering	Type of Collateral	Ticket Size	Tenor	Interest Rate (as of Sept 30, 2025)
Mortgage Loans	Fully secured against property collateral (mostly self-owned residences or self-owned business premises) and a contract of hypothecation of working assets, finished goods, and machinery	INR 0.10 Mn to INR 1.50 Mn	48 months to 180 months	Upto 26% PA
'Saral' Property Loans	Fully secured against property collateral (all kinds of properties) and a contract of hypothecation of working assets, finished goods, and machinery	INR 0.05 Mn to INR 0.60 Mn	36 months to 60 months	Upto 28% PA
Secured Hypothecation Loans	Fully secured against a contract of hypothecation of working assets, finished goods, and machinery	INR 0.05 Mn to INR 0.40 Mn	6 months to 42 months	Upto 32% PA
Unsecured Hypothecation Loans	Partly secured against a contract of hypothecation of working assets, finished goods, and machinery	INR 0.05 Mn to INR 0.40 Mn	6 months to 42 months	Upto 32% PA

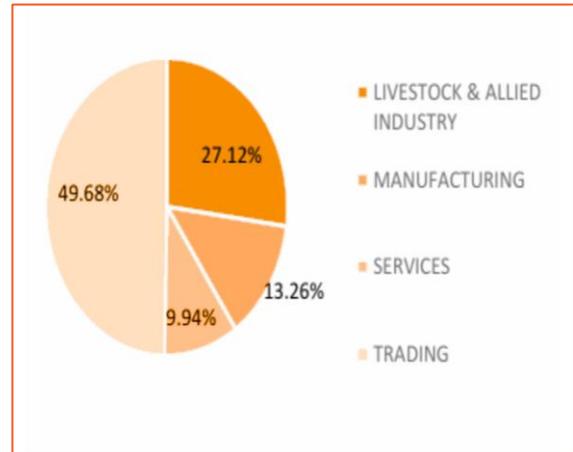
Source: IPO Prospectus, Deven Choksey Research

Business Segmentation across India:



Source: IPO Prospectus, Deven Choksey Research

AUM split by industry as of Sept 30, 2025:



Source: IPO Prospectus, Deven Choksey Research

Target Customer Segment

The company's customers are primarily **micro enterprise owners** in urban and semi-urban markets, operating cash-and-carry businesses across manufacturing, trading, services, and allied agriculture sectors. Despite running businesses for over five years, many lack formal financial documentation and credit history, restricting access to traditional credit.

These customers typically earn between INR 0.03 Mn and INR 0.10 Mn per month. Loans are structured with a spouse or parent as a co-borrower to enhance repayment accountability, while the company's localized market understanding and cluster-based assessment enable effective evaluation of borrower profiles.

Aye Finance Ltd.

Company Overview

Strategies

Enhancing AUM per branch through deeper penetration within the target segment:

- The company aims to enhance growth by increasing AUM per branch, which stood at INR 105 Mn as of September 30, 2025. Mature branches report significantly higher AUM than newer ones, indicating strong scalability.
- Recently added branches are expected to drive future growth, supported by repeat lending and product upselling.
- Going forward, the company will moderate branch expansion and focus on deeper market penetration while leveraging operational efficiencies.

Growing the Mortgage Loan Portfolio:

- The company has significantly expanded its mortgage loan portfolio from 1.86% in March 2023 to 14.72% in March 2025 and 19.28% in September 2025.
- It plans to further scale this segment to improve portfolio stability, extend average tenure, and enhance profitability.
- Growth will be driven by decentralized mortgage teams leveraging the existing branch network, along with a sourcing strategy that combines open market acquisition and upselling to existing hypothecation customers, thereby strengthening portfolio quality and long-term returns.

Leveraging Technology and Data Sciences for Improving Productivity and Scalability:

- The company plans to drive productivity and scalability through technology and data science by enhancing credit models, enabling straight-through underwriting, and improving collections using geolocation analytics and digital payments.
- It will upgrade core systems, integrate APIs, and deploy AI and RPA to automate processes, while investing in customer applications and paperless tools to reduce servicing costs and strengthen risk management

Optimizing Borrowing Costs and Diversifying Lender Base:

- The company aims to diversify its borrowing mix, optimize funding costs, and maintain a positive ALM position to support sustainable growth. Backed by improved financial performance and asset quality, borrowing costs have moderated, enabling competitive loan pricing and stronger margins.
- With relationships across 84+ counterparties and multiple funding instruments, the company continues to broaden its liability profile while prioritizing long-term borrowings to mitigate liquidity risks. It also seeks to enhance its credit rating and expand co-lending partnerships to secure stable funding, deepen financial inclusion, and drive scalable growth.

SWOT Analysis

Strengths (S)

1. Established track record since 1993 with 586K active clients and 6,027 Cr AUM across 21 states/UTs.
2. Diversified product mix (mortgage, hypothecation) with avg ticket 1.8 lakh suits underserved urban MSMEs.
3. Strong profitability trajectory with 53% revenue CAGR and improving 47.5% EBITDA margins.

Weaknesses (W)

1. High leverage at 6.5x D/E exposes to funding cost volatility and liquidity squeezes.
2. Recent PAT margin contraction to 11.4% signals potential credit cost normalization.
3. Limited vintage in digital transformation versus fintech natives.

Opportunities (O)

1. MSME credit gap of 85 lakh Cr offers 25%+ formalization-led growth runway.
2. Fresh issue proceeds of 710 Cr fuel 30-35% AUM CAGR targeting 10 lakh clients.
3. Co-lending tie-ups with banks expand distribution at lower costs.

Threats (T)

1. RBI regulatory tightening on Upper Layer NBFCs heightens compliance costs.
2. Intense competition from banks/fintechs compressing yields to 18-20%.
3. Economic slowdown impacting MSME cash flows and collection efficiency.

Aye Finance Ltd.

About Management

Dr. Govinda Rajulu Chintala

He is an Independent Director and the Chairperson of the Board of Directors of our Company. He has been associated with our Company since September 2023. He holds a bachelors of science degree in agriculture from the Andra Pradesh Agriculture University and a masters of science degree from Indian Agricultural Research Institute, New Delhi. He has served as the chairman of the National Bank for Agriculture and Rural Development (NABARD) and as the managing director of NABFINS (NABARD Financial Services Limited). He has also been the director of Bankers Institute of Rural Development (BIRD) and has also served on the board of governors of the Institute for Rural Management Anand and as a director on the board of Deposit Insurance and Credit Guarantee Corporation (DICGC). He has over 36 years of experience across development of financial institutions and rural infrastructure development.



Directorship in other Companies

- Annapurna Finance Private Limited (private limited company)
- IIFL Samasta Finance Limited (public limited company)
- NSL Krishnaveni Sugars Limited (public limited company)
- NSL Sugars Limited (public limited company)
- Kaveri Seed Company Limited (public limited company)

Sanjay Sharma

He is the founder and Managing Director of our Company. He holds bachelor of technology degree in mechanical engineering from Indian Institute of Technology Bombay and a post graduate diploma from the Indian Institute of Management, Bangalore. He started his long career in banking and financial services with the Hongkong and Shanghai Banking Corporation Limited in 1988. He has been associated with Standard Chartered Bank, both in India and UAE. Later, he served as a vice president in HDFC Bank where he headed the direct banking business. He was part of the leadership team in the personal financial services division of ICICI Limited, which was responsible for launching all its retail asset products including automobile finance, home finance, consumer durables finance, and personal loans. He also served as senior vice president – customer operations & service delivery at Max New York Life Insurance Company Limited. Prior to being associated with our Company, he served as the CEO of Tamweel International, a division of Tamweel PJSC, a UAE based mortgage finance company. He has over 29 years of experience in banking, finance and insurance sector in India and abroad.



Directorship in other Companies

- Foundation for Advancement of Micro Enterprises (Section 8 company)

Aye Finance Ltd.

Peer Comparison

In INR Mn. (September 30, 2025)			
Peers	AYE Finance	SBFC Finance Limited	Five Star Business Limited
Market cap	31,835	1,01,630	1,33,000
Book Value	226	313	2,310
AUM	60,276	39,800	1,28,471
PAT	645.97	2,100.26	5,524.5
Asset Quality			
Gross NPA	4.9%	2.8%	2.6%
Net NPA	1.8%	1.5%	1.5%
Credit cost to Average Total Assets (%)	5.1%	1.2%	1.3%
Profitability			
NIM (%)	14.1%	10.4%	15.7%
ROE (%)	7.6%	12.7%	16.9%
ROA (%)	1.9%	4.6%	7.4%
Spreads			
Cost of funding (%)	11.2%	8.9%	9.0%
Operational Efficiency			
Cost to Income (%)	52.6%	38.2%	32.1%
CRAR (%)	32.3%	34.0%	51.0%
Valuation			
P/B (TTM)	1.45x	3.03x	2.0x

Source: IPO Prospectus, Company, Deven Choksey Research

Aye Finance Ltd.
Financials:

Income Statement (INR Mn.)	FY23	FY24	FY25
Total revenue from operations	6,234	10,402	14,597
Finance cost	1,980	3,265	4,680
Net loss on fair value changes	66	62	36
Impairment on financial instruments	734	1,314	2,888
PPOP	3,455	5,761	6,993
Employee benefit expenses	2,122	2,752	3,796
Other expenses	704	900	1,177
Core Operating Profit	629	2,109	2,019
Other income	199	315	453
Operating Profit	828	2,424	2,472
Depreciation and amortization expense	114	145	222
PBT	714	2,279	2,250
Tax	315	562	498
PAT	399	1,717	1,753
Diluted EPS	2.5	10.5	9.3

Cash Flow (INR Mn.)	FY23	FY24	FY25
Net Cash Flow from Operating Activities	-7,204	(12,480)	(8,118)
Net Cash Flow from Investing Activities	782	830	(386)
Net Cash Flow from Financing Activities	7,620	14,937	12,549
Net Increase/(Decrease) in Cash	1,198	2,540	4,046
Cash & Cash Equivalents at the Beginning	1,528	2,726	5,266
Cash & Cash Equivalents at the End	2,726	5,266	9,312

Balance sheet (INR Mn.)	FY23	FY24	FY25
ASSETS			
Financial assets			
Cash and cash equivalents	2,726	5,266	9,312
Bank balances other than cash and cash equivalents	1,214	2,037	2,067
Derivative financial instruments	31	-	2
Loans	25,554	40,031	49,502
Investments	845	107	418
Other financial assets	228	306	606
Total financial assets	30,598	47,746	61,907
Non-financial assets			
Current tax assets (net)	41	83	184
Deferred tax assets (net)	293	439	610
Property, plant and equipment	55	90	121
Right of use assets	212	214	263
Intangible assets under development	5	30	41
Intangible assets	6	13	23
Other non-financial assets	51	81	237
Total non-financial assets	662	949	1,479
Total assets	31,260	48,696	63,386
LIABILITIES AND EQUITY			
Financial liabilities			
Derivative financial instruments	-	32	-
Debt securities	8,999	10,723	14,181
Borrowings (other than debt securities)	243	236	284
Lease liabilities	161	554	481
Other financial liabilities	23,365	35,812	46,029
Total financial liabilities			
Non-financial liabilities			
Current tax liabilities (net)	227	303	453
Provisions	123	255	290
Other non-financial liabilities	350	558	769
Total non-financial liabilities	23,715	36,369	46,798
Total liabilities			
Equity share capital	305	399	378
Other equity	7,240	11,927	16,211
Total equity	7,545	12,326	16,589
Total liabilities and equity	31,260	48,696	63,386

Source: IPO Prospectus, Deven Choksey Research

Aye Finance Ltd.

ANALYST CERTIFICATION:

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