IPO Report

Choice

“Subscribe For Long Term” to

Aye Finance Ltd.

Reasonably valued, with easing industry stress paving the way for growth.

Aye Finance Ltd.

Reasonably valued, with easing industry stress paving the way for growth.

Choice

09th Feb. 2026

Salient features of the IPO:

- **Aye Finance Ltd.** (AFL), was incorporated on August 12, 1993 as Doda Finance Pvt. Ltd. The Company subsequently changed its name to "Aye Finance Ltd." on March 28, 2014. The Company is a systemically important Non-Deposit Taking Non-Banking Financial Company (ND-NBFC) registered with the Reserve Bank of India. It is engaged in providing secured and unsecured small business loans to micro, small, and medium enterprises (MSMEs), with a primary focus on micro-scale enterprises to meet their working capital requirements. AFL's product portfolio includes mortgage loans, 'Saral' property loans, secured hypothecation loans, and unsecured hypothecation loans, tailored to address the diverse financing needs of MSMEs.
- This public issue is a combination of Fresh issue (Rs. 710cr) and OFS (Rs. 300cr). The company will not receive any proceeds from the OFS portion. The Net Proceeds from the fresh issue will be utilised to increase the Company's Tier – I capital base to meet its future capital requirements which are expected to arise out of growth of its business and assets.

Key competitive strengths:

- Leading Lender of Small-Ticket Loans to Micro Scale MSMEs
- 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

Business strategy:

- 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

Risk and concerns:

- General slowdown in the global economic activities
- Business may be adversely affected by seasonal trends in the Indian economy
- The company's financial performance is sensitive to interest rate fluctuations
- The company operates under strict regulations governing India's financial services industry
- Competition

Valuation Overview and IPO Rating

At the upper price band, the issue is priced at a post-issue P/BV of 1.3x, below the peer average. The discount appropriately reflects the Company's elevated GNPAs and credit costs, offering a risk-adjusted entry point for long-term investors. On the positive side, the Company has demonstrated strong growth in its top line, with interest income rising 47.9% and AUM increasing 47.4% between FY22 and FY25. While the declining ROE and ROA highlight operational pressures amid industry stress, the recovering NBFC sector and potential tailwinds support a favourable medium- to long-term growth outlook. Considering these near-term operational challenges alongside the growth potential, we assign a **"Subscribe For Long Term"** rating for this issue

Issue details	
Price band	Rs. 122 - 129 per share
Face value	Rs. 2
Shares for fresh issue	5.504 - 5.819cr shares
Shares for OFS	2.326 - 2.459cr shares
Fresh issue size	Rs. 710cr
OFS issue size	Rs. 300cr
Total issue size	7.829 - 8.278cr shares (Rs. 1,010cr)
Bidding date	09th Feb. - 11th Feb. 2026
Implied MCAP at higher price band	Rs. 3,183.52cr
Implied enterprise value at higher price band	Rs. 6,391Cr
Book running lead manager	Axis Capital Ltd., IIFL Capital Services Ltd., JM Financial Ltd., and Nuvama Wealth Management Ltd.
Registrar	KFin Technologies Ltd.
Sector	NBFC
Promoters	Company does not have an Identifiable Promoter

Category	Percent of issue (%)	Number of shares
QIB portion	75%	5.872 - 6.209cr shares
Non institutional portion (Big)	10%	0.783 - 0.827cr shares
Non institutional portion (Small)	5%	0.391 - 0.413cr shares
Retail portion	10%	0.783 - 0.827cr shares

Indicative IPO process time line	
Finalization of basis of allotment	12th Feb. 2026
Unblocking of ASBA account	13th Feb. 2026
Credit to demat accounts	13th Feb. 2026
Commencement of trading	16th Feb. 2026

Pre and post - issue shareholding pattern

	Pre-issue	Post-issue
Promoter & promoter group	0.00%	0.00%
Public	98.81%	99.07%
Non-promoter & Non-public	1.19%	0.93%
Total	**100.00%**	**100.00%**

Retail application money at higher cut-off price per lot	
Number of shares per lot	116
Application money	Rs. 14,964 per lot

Companies	CMP (Rs/sh)	Face Value	Market Cap	6M (%)	12M (%)	Credit Cost (%)	Yield on Net advances (%)	TTM NIM (%)	GNPA (%)	NNPA (%)	PCR (%)
Aye Finance Ltd.	**129**	**2**	**3,184**	**-**	**-**	**5.1%**	**29.1%**	**15.3%**	**4.9%**	**1.8%**	**64.5%**
SBFC Finance Ltd	94	10	10,332	-8.6%	10.2%	1.2%	17.5%	6.7%	2.8%	1.5%	45.5%
Five-Star Business Finance Ltd	450	1	13,255	-22.8%	-40.9%	1.3%	25.2%	15.0%	2.6%	1.5%	44.7%
Average						**1.3%**	**21.4%**	**10.8%**	**2.7%**	**1.5%**	**45.1%**

Companies	TTM PAT (Rs.cr)	AUM (Rs.cr)	AUM Growth(%) FY22-25	Total Assets	EV	Net worth	Debt	D/Ex
Aye Finance Ltd.	**132**	**6,028**	**47.4%**	**7,116**	**6,319**	**2,437**	**5,218**	**2.1**
SBFC Finance Ltd	393	9,938	39.9%	9,822	16,015	3,434	6,176	1.8
Five-Star Business Finance Ltd	1,105	12,847	32.8%	15,435	19,406	6,806	8,376	1.2
Average								**1.5**

Companies	P/BV (x)	P/E (x)	EV/AUM	Mcap/ AUM	BVPS (Rs/sh)	EPS (Rs/sh)	RoE (%)	RoA (%)	CAR (%)	C/I(%)
Aye Finance Ltd.	**1.3**	**24.1**	**1.0**	**0.5**	**99**	**5.4**	**5.4%**	**1.9%**	**32.3%**	**50.1%**
SBFC Finance Ltd	3.0	26.3	1.6	1.0	31	3.6	11.4%	4.0%	34.1%	40.0%
Five-Star Business Finance Ltd	1.9	12.0	1.5	1.0	231	37.5	16.2%	7.2%	51.0%	30.9%
Average	**2.5**	**19.2**	**1.6**	**1.0**			**13.8%**	**5.6%**	**42.6%**	**35.5%**

Note: Considered financials for the period during FY22 - 25 (with IPO adjustments); Source: Choice Broking Research

Key Highlights of the Industry and the Company:

- As of September 30, 2025, AFL had a pan-India presence through a network of 568 branches across 18 states and 3 union territories. The Company's operations are primarily concentrated in Bihar, Uttar Pradesh, Rajasthan, Madhya Pradesh, and Maharashtra, which together accounted for approximately 49.47% of the total branch network as of that date.
- The company's AUM has grown at a robust CAGR of 47.4% between FY22 and FY25, reaching Rs. 6,027.6cr as of September 30, 2025. This growth has been driven by a well-diversified geographic footprint across its operating regions. The AUM is evenly distributed across zones, with 34.80% in the North, 27.79% in the East, 22.73% in the West, and 14.69% in the South as of September 30, 2025, reflecting the presence of mature and well-established businesses in each region.
- Accordingly, the Company's active base of unique customers has expanded significantly, increasing from 191,338 as of March 31, 2022 to 305,524 as of March 31, 2023, 454,586 as of March 31, 2024, and 554,699 as of March 31, 2025, further reaching 586,825 as of September 30, 2025. This translates into a strong customer base growth at a CAGR of 43.6% over FY22–FY25.
- AFL offers a comprehensive range of loan products in the MSME segment, primarily catering to micro enterprises. Its diversified product suite includes secured and unsecured term loans as well as working capital facilities, designed to address the varied financing needs of micro enterprises, ranging from day-to-day working capital requirements to long-term capital investments.
- The Company primarily targets micro-scale businesses with annual turnovers between Rs. 2.0mn and Rs. 10.0mn, largely located in semi-urban areas. The customer base spans across manufacturing, trading, services, and allied agricultural activities. These borrowers typically operate from permanent business establishments and have been engaged in the same line of business for a minimum of two years. AFL's lending strategy focuses on supporting established business owners with proven operating track records.
- AFL held a credit rating of 'A' with a Stable outlook as of September 2025, which was upgraded from 'A-' with a Positive outlook in FY2024. The upgrade, awarded by India Ratings and Research on July 19, 2024, reflects the Company's strengthened capital base, stable asset quality, and the overall robustness of its operations in serving the micro enterprise segment. In addition, the Company is rated 'B+' with a Positive outlook by CARE Edge Global.
- In India, approximately 98% of MSMEs are classified as micro enterprises, underscoring a substantial total addressable market (TAM) for financial services. A large portion of emerging self-employed individuals and micro enterprises remains underserved by formal lending institutions. As of FY2025, the estimated MSME credit demand stood at around Rs. 159 trillion, of which only 27–28% is currently met through formal financing channels.

Continue:

- The Company has significantly increased the share of mortgage loans in its total portfolio, from 0.5% as of March 31, 2022 to 14.72% as of March 31, 2025, and further to 19.28% as of September 30, 2025. AFL intends to continue scaling its mortgage loan portfolio to enhance overall portfolio stability and profitability by increasing the average tenure of the portfolio. To support this strategy, the Company plans to further strengthen its decentralized mortgage teams across its well-established branch network, leveraging its extensive geographic presence to capitalize on opportunities in secured lending against property.
- The Company's loan portfolio includes mortgage loans designed to support micro enterprises, with the loans secured against immovable property as collateral. These mortgage loans enable access to higher loan amounts and longer tenures, making them suitable for purposes such as the purchase of machinery or livestock, debt consolidation, and other business-related funding requirements. By securing loans against property, the Company effectively mitigates credit risk while offering flexible repayment terms, thereby reinforcing its commitment to financial inclusion and sustainable growth among underserved businesses across India.
- As of September 30, 2025, the average ticket size at disbursement for mortgage loans stood at Rs. 0.41mn, with an average contractual tenure of 75.12 months and interest rates of up to 26% per annum. This product is well suited for customers seeking higher loan amounts or extended tenures and who are willing to mortgage their property.
- Another product in the Company's loan portfolio is the 'Saral' Property Loan, designed to support micro enterprises by accepting a combination of movable and immovable assets as collateral, particularly in cases where property titles may not be fully clear. These loans are structured for customers who are willing to offer their property as security, even when the title is established but the creation of a formal charge over the property may not be feasible.
- The loan proceeds can be utilized for working capital requirements or for the purchase of business assets. As of September 30, 2025, the average ticket size at disbursement for 'Saral' Property Loans was Rs. 0.19mn, with an average contractual tenure of 39.54 months and interest rates of up to 28% per annum.
- Under secured hypothecation loans, credit is extended against the hypothecation of movable assets such as machinery and equipment, allowing businesses to access financing while retaining ownership and possession of the assets. These loans are designed to meet short-term business funding requirements without the need for mortgage-backed collateral. As of September 30, 2025, the average ticket size at disbursement for secured hypothecation loans stood at Rs. 0.15mn, with an average contractual tenure of 28.56 months and interest rates of up to 32% per annum.
- The Company also offers unsecured hypothecation loans to support micro enterprises, wherein the loans are structured under a contract of hypothecation; however, the value of the hypothecated assets is not sufficient to fully cover the loan amount. These loans are primarily extended based on the borrower's cash flows and business viability. As of September 30, 2025, the average ticket size at disbursement for unsecured hypothecation loans (excluding loans disbursed through SwitchPe) was rs. 0.17mn, with an average contractual tenure of 31.06 months and interest rates of up to 32% per annum.

AUM Product Offerings	FY22	FY23	FY24	FY25	H1FY25	H1FY26
Mortgage Loans	9.0	50.6	334.6	814.4	472.7	1,162.0
% of total AUM	*0.5%*	*1.9%*	*7.5%*	*14.7%*	*9.5%*	*19.3%*
'Saral' Property Loans	135.0	116.3	118.3	109.6	113.8	104.8
% of total AUM	*7.8%*	*4.3%*	*2.7%*	*2.0%*	*2.3%*	*1.7%*
Secured Hypothecation Loans	951.7	1,731.0	2,318.3	2,413.8	2,328.0	2,471.9
% of total AUM	*55.1%*	*63.6%*	*51.9%*	*43.6%*	*46.7%*	*41.0%*
Unsecured Hypothecation Loans	632.8	823.6	1,692.1	2,196.1	2,065.2	2,288.9
% of total AUM	*36.6%*	*30.3%*	*37.9%*	*39.7%*	*41.5%*	*38.0%*
Total AUM	**1,728.5**	**2,721.6**	**4,463.3**	**5,533.9**	**4,979.8**	**6,027.6**

Financial statements:

Restated profit and loss statement (Rs. cr)	FY22	FY23	FY24	FY25	H1FY25	H1FY26	TTM	CAGR over FY22-25	Annual growth over FY24
Interest Income	**409.9**	**566.5**	**948.7**	**1,326.0**	**640.2**	**733.8**	**1,419.6**	**47.9%**	**39.8%**
Growth (%)		38.2%	67.5%	39.8%		14.6%			
Interest Expended	158.6	198.0	326.5	468.0	229.3	258.9	497.6	43.4%	43.3%
Growth (%)		24.9%	64.9%	43.3%		12.9%			
Net Interest Income	**251.3**	**368.5**	**622.2**	**858.0**	**411.0**	**475.0**	**921.9**	**50.6%**	**37.9%**
Net Interest Margin (%)	**11.3%**	**13.5%**	**15.6%**	**15.3%**	**15.4%**	**14.1%**		400 bps	(25) bps
Other Income	33.6	76.9	123.1	179.0	76.8	129.2	231.4	74.6%	45.5%
% of Interest Income	8.2%	13.6%	13.0%	13.5%	12.0%	17.6%	16.3%		
Total Income	**284.9**	**445.4**	**745.2**	**1,037.0**	**487.8**	**604.2**	**1,153.4**	**53.8%**	**39.2%**
Growth (%)		56.3%	67.3%	39.2%		23.9%			
Operating & Other expenses	229.2	294.1	379.8	519.5	236.0	317.9	601.4	31.4%	36.8%
Pre-Prov. Operating Profit	55.8	151.3	365.4	517.5	251.8	286.3	552.0	110.1%	41.6%
Provisions and contigencies	123.2	79.9	137.6	292.4	107.6	203.7	388.5	33.4%	112.6%
Operating Profit before Tax	**(67.4)**	**71.4**	**227.9**	**225.0**	**144.1**	**82.6**	**163.5**		**-1.2%**
Growth (%)			219.1%	-1.2%		-42.7%			
Pre-tax Margin (%)	-23.7%	16.0%	30.6%	21.7%	29.5%	13.7%	14.2%		
Tax	(16.1)	31.5	56.2	49.8	36.3	18.0	31.4		-11.4%
% of PBT	23.8%	44.2%	24.7%	22.1%	25.2%	21.8%	19.2%		
Reported PAT	**(51.4)**	**39.9**	**171.7**	**175.3**	**107.8**	**64.6**	**132.0**		**2.1%**
Net Profit Margin (%)	**-18.0%**	**9.0%**	**23.0%**	**16.9%**	**22.1%**	**10.7%**	**11.4%**		**(614) bps**
Growth (%)			430.6%	102.1%		59.9%			

Restated balance sheet statement (Rs. cr)	FY22	FY23	FY24	FY25	H1FY25	H1FY26	CAGR over FY22-25	Annual growth over FY24
Capital	30.5	30.5	39.9	37.8	37.8	37.8	7.5%	-5.4%
Reserves and Surplus	675.0	724.0	1,192.7	1,621.1	1,555.4	1,689.6	33.9%	35.9%
Provisions	23.1	22.7	30.3	43.3	33.3	49.2	23.3%	43.1%
Borrowings	1,520.7	2,296.2	3,499.0	4,526.3	4,083.1	5,218.5	43.8%	29.4%
Other financial liabilities	66.4	52.7	107.7	110.1	109.4	120.9	18.4%	2.3%
Total Liabilities	**2,315.6**	**3,126.0**	**4,869.6**	**6,338.6**	**5,819.0**	**7,116.0**	**39.9%**	**30.2%**
Cash and balance	377.1	394.0	730.3	1,137.9	1,116.9	1,372.9	44.5%	55.8%
Loans	1,687.7	2,555.4	4,003.1	4,950.2	4,516.2	5,382.3	43.1%	23.7%
Investment	155.1	84.5	10.6	41.8	22.8	66.6	-35.4%	293.7%
Fixed assets	26.8	27.6	34.7	44.7	44.9	60.4	18.7%	29.1%
Deferred tax assets (Net)	47.3	29.3	43.9	61.0	52.5	58.2	8.8%	38.8%
Other assets	21.6	35.1	47.0	103.0	65.7	175.5	68.2%	119.2%
Total Assets	**2,315.6**	**3,126.0**	**4,869.6**	**6,338.6**	**5,819.0**	**7,116.0**	**39.9%**	**30.2%**

Source: Choice Equity Broking

Financial Ratios						
Particulars	**FY22**	**FY23**	**FY24**	**FY25**	**H1FY24**	**H1FY25**
Return / Profitability Ratios (%)						
Net interest margin (NIM)	11.3%	13.5%	15.6%	15.3%	15.4%	14.1%
Cost of borrowings	13.0%	11.8%	11.4%	11.6%	11.6%	11.2%
Credit Cost (%)	0.0%	2.7%	3.3%	5.2%	3.8%	5.1%
Yield on loans	24.8%	25.5%	26.4%	26.5%	27.1%	25.4%
RoA	-2.2%	1.5%	4.3%	3.1%	4.0%	1.9%
RoE	-7.3%	5.5%	17.3%	12.1%	15.3%	7.6%
Business Ratios (%)						
AUM (Rs cr)	1,728.5	2,721.6	4,463.3	5,533.9	4,979.8	6,027.6
Gross Loan (Rs.cr)	1,742.2	2,608.9	4,133.4	5,162.9	4,670.5	5,620.2
Disbursements (Rs cr)	1,304.2	2,357.1	3,938.9	4,291.3	2,014.1	2,316.8
CAR (Basel III)	36.0%	31.1%	32.8%	34.9%	37.6%	32.3%
Asset / Equity	1.12	1.06	1.03	1.04	1.03	1.05
AUM / Assets	74.6%	87.1%	91.7%	87.3%	85.6%	84.7%
Cost/Income	34.5%	66.0%	51.0%	50.1%	48.4%	52.6%
Asset Quality ratios (%)						
PCR	59.1%	49.8%	72.1%	67.6%	66.1%	64.5%
GNPA	3.3%	2.5%	3.2%	4.2%	3.3%	4.9%
NNPA	1.4%	1.3%	0.9%	1.4%	1.2%	1.8%
Per Share Data (Rs)						
EPS (Diluted)	-2.1	1.6	7.0	7.1	4.4	2.6
BVPS	28.6	30.6	49.9	67.2	64.6	70.0
Valuation ratios (x)						
P/E (x)	-62.0	79.8	18.5	18.2		
P/BV (x)	4.5	4.2	2.6	1.9		
Growth ratios (%)						
AUM		57.5%	64.0%	24.0%		21.0%
NII		46.6%	68.8%	37.9%		15.6%
PAT			330.6%	2.1%		-40.1%

Source: Choice Equity Broking

IPO rating rationale

Subscribe: An IPO with strong growth prospects and valuation comfort.
Subscribe for Long Term: Relatively better growth prospects but with valuation discomfort.
Avoid: Concerns on both fundamentals and demanded valuation.

RAJNATH BUDHIRAM YADAV

Digitally signed by RAJNATH BUDHIRAM YADAV
Date: 2026.02.09 12:20:37 +05'30'

Disclaimer & Disclosure

Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Choice Equity Broking Private Limited is a registered Research Analyst Entity (Reg. No. INH000000222) CIN. NO.: U65999MH2010PTC198714. Reg. Add.: Sunil Patodia Tower, J B Nagar, Andheri (East), Mumbai 400099. Tel. No. 022-6707 9999 . Compliance Officer-Prashant Salian. Tel. 022-6707 9999-Ext. 896. Email- Compliance@choiceindia.com. Grievance officer - Deepika Singhvi Tel.022-67079999- Ext-834. Email- ig@choiceindia.com.

General Disclaimer:
Investment in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors

This report ("Report") is prepared by Choice Equity Broking Private Limited as a Research Entity (hereinafter referred as "CEBPL") in its capacity as a SEBI-registered Research Analyst and is intended solely for informational and educational purposes. This Report is meant exclusively for the recipient and shall not be circulated, reproduced, or distributed, in whole or in part.

This Report does not take into account the specific investment objectives, financial situation, risk profile, or particular needs of any individual or class of investors and does not constitute a personal recommendation or investment advice. Any views, opinions, or recommendations expressed herein are based on publicly available information and internal analysis and are subject to change without notice.

Nothing contained in this Report shall be construed as an offer, solicitation, or inducement to buy, sell, or subscribe to any securities, derivatives, or other financial instruments, nor shall it be considered as investment, legal, accounting, or tax advice. Recipients are advised to conduct their own independent analysis and are encouraged to seek independent professional advice before making any investment or trading decisions.

The information contained in this Report has been compiled from sources believed to be reliable; however, CEBPL does not represent or warrant the accuracy, completeness, or reliability of such information. CEBPL, its directors, employees, or associates shall not be liable for any losses, damages, or expenses arising directly or indirectly from the use of or reliance upon this Report.

Investments in securities are subject to market risks. The price and value of investments and the income from them may fluctuate, and investors may incur losses. Past performance is not indicative of future results. Opinions expressed herein are as of the date of this Report and may differ from views expressed in other research reports due to differences in methodology, assumptions, or time horizons.

Disclaimers in respect of Jurisdiction:
This Report is not intended for distribution to, or use by, any person or entity who is a citizen or resident of, or located in, any jurisdiction where such distribution, publication, or use would be contrary to applicable laws or regulations, or would subject CEBPL to any registration or licensing requirements in such jurisdiction.

No action has been taken or will be taken by CEBPL in any jurisdiction outside India where such action would be required for distribution of this Report. Accordingly, this Report shall not be directly or indirectly distributed, published, or circulated in any such jurisdiction except in compliance with applicable laws and regulations.

Recipients of this Report are required to inform themselves of, and comply with, all applicable legal and regulatory restrictions at their own expense and without any liability to CEBPL. Any dispute arising out of or in connection with this Report shall be subject to the exclusive jurisdiction of the competent courts in Mumbai, India.

Disclosure on Ownership and Material Conflicts of Interest:
- "CEBPL", its Research Analyst(s), their associates and relatives may have any financial interest in the subject company covered in this Research Report.
- "CEBPL", its Research Analyst(s), their associates and relatives may have actual or beneficial ownership of one percent (1%) or more of the securities of the subject company, as on the last day of the month immediately preceding the date of publication of this Research Report.
- "CEBPL", its Research Analyst(s), their associates and relatives may have any other material conflict of interest at the time of publication of this Research Report.

Disclosure on Receipt of Compensation:
- "CEBPL" or its associates may have received compensation from the subject company during the past twelve months.
- "CEBPL" or its associates may have managed or co-managed public offerings of securities for the subject company during the past twelve months.
- "CEBPL" or its associates may have received compensation from the subject company during the past twelve months for investment banking, merchant banking or brokerage services.
- "CEBPL" or its associates may have received compensation from the subject company during the past twelve months for products or services other than investment banking, merchant banking or brokerage services.
- "CEBPL" or its associates have not received any compensation or other benefits from the subject company or any third party in connection with the preparation or publication of this Research Report.
- Research Analyst may have served as an officer, director or employee of the subject company covered in this Research Report.
- "CEBPL" and Research analyst may engage in market-making activity in the securities of the subject company.

Details of Associates of CEBPL and Brief History of Disciplinary action by regulatory authorities are available on our website i.e. www.https://choiceindia.com/research-listing