

May 28, 2025

Aye Finance Limited (erstwhile Aye Finance (P) Ltd.): Rating upgraded for PTCs issued under unsecured business loan securitisation transaction

Summary of rating action

Trust name	Instrument*	Initial rated amount (Rs. crore)	Amount O/s after last surveillance (Rs. crore)	Current rated amount (Rs. crore)	Rating action
SBL Janhavi 24	PTC Series A	50.00	NA	6.84	[ICRA]AA+(SO); Upgraded from [ICRA]AA(SO)

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by pool of unsecured business loan receivables originated by Aye Finance Limited (erstwhile Aye Finance (P) Ltd.) [AFL/Originator; rated [ICRA]A(Stable)]. AFL is also the servicer for the transaction. The rating upgrade factors in the build-up of the credit enhancement cover over the future PTC payouts on account of the high amortisation and healthy performance of the pool. The rating also draw comfort from the fact that the breakeven collection efficiency is comfortably below the actual collection level observed in the pool till the April 2025 payout month.

Pool performance summary

Parameter	SBL JANHAVI 24
Payout month	April 2025
Months post securitisation	13
Pool amortisation (as % of initial pool principal)	77.1%
PTC Series A amortisation	86.3%
Cumulative collection efficiency ¹	95.5%
Cumulative prepayment rate	31.6%
Loss-cum-90+ dpd ² (% of initial pool)	5.4%
Loss-cum-90+ dpd ³ (% of initial pool)	4.5%
Cumulative cash collateral (CC) utilisation	0.00%
Breakeven collection efficiency ⁴ for PTC Series A	17.9%
CC available (% of balance pool)	35.0%
Excess interest spread (EIS; % of balance pool) for PTC Series A ⁵	10.6%
Principal Subordination (% of balance pool principal): for PTC Series A	46.3%

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. The residual cash flows from the pool, after meeting the promised and expected payouts, will be flow back to the originator on a

¹ (Cumulative current and overdue collections till date)/(Cumulative billing till date + Opening overdues at the start of the transaction)

² Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 30 days, as a % of Initial pool principal

³ Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 90 days, as a % of Initial pool principal

⁴ (Balance cash flows payable to investor – CC available)/Balance pool cash flows

⁵ (Pool interest – Interest to PTC Series A investors)/Pool principal outstanding

monthly basis. Any prepayment in the pool would be used for the prepayment of the PTC Series A principal. The transaction has certain trigger events defined, on occurrence of which the residual cash flows would be passed on to PTC Series A investors.

Key rating drivers and their description

Credit strengths

Build-up of credit enhancement available in the structure – The rating action factors in the build-up in the credit enhancement with the cash collateral increasing to ~35% of the balance pool principal from 8.0% at the time of securitisation. Internal credit support is also available through principal subordination i.e. 46.3% along with excess interest spread (EIS) of 10.6% of the balance pool principal.

Adequate servicing capability of the originator - The company has adequate processes for servicing of the loan accounts in the securitised pool. It has a demonstrated track record of over a decade of regular collections and recovery across a wide geography.

Credit challenges

Risks associated with lending business – The performance of the pool would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans. Further, pool will be exposed to the inherent credit risk associated with the unsecured nature of the asset class and that recovery from delinquent contracts tends to be lower.

Key rating assumptions

ICRA's cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 4.5% of the initial pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 5% to 18.0% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final ratings for the instruments.

Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction name	SBL JANHAVI 24
Originator	AFL
Servicer	AFL
Trustee	Catalyst Trusteeship Limited
CC holding bank	The Federal Bank Limited
Collection and payout account bank	ICICI Bank

Liquidity position: Strong

The liquidity for PTCs is strong after factoring in the credit enhancement available to meet the promised payout to the investors. The total credit enhancement would be ~4.5 times the estimated loss in the pool for the transaction.

Rating sensitivities

Positive factors – The rating could be upgraded on the sustained strong collection performance of the underlying pool of contracts leading to lower-than-expected delinquency levels, and on an increase in the cover available for future investor payouts from the credit enhancement.

Negative factors – The rating could be downgraded on the sustained weak collection performance of the underlying pool of contracts, leading to higher-than-expected delinquency levels and credit enhancement utilisation levels. Weakening in the credit profile of the servicer (AFL) could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pool till the April 2025 payout month, the present delinquency profile of the pool of contracts, the performance expected over the balance pool tenure, and the credit enhancement available in the transactions.

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

About the originator

AFL is a non-banking financial company, which provides loans to micro and small enterprises in semi-urban areas with an annual turnover of Rs. 10 lakh-1 crore. AFL offers loans either through hypothecation of working assets (88% of AUM as on September 30, 2024) or through mortgage properties (mortgage loan and quasi-mortgage loan constituting 10% and 2% of AUM respectively as on September 30, 2024). Secured loans comprised 60% of the on-book portfolio as on March 31, 2024. The company commenced operations in FY2014 and is founded under the leadership of Mr. Sanjay Sharma who has experience in retail lending. AFL is backed by private equity investors – Capital G (Google), Falcon Edge, SAIF Partners (Elevation), A91 Partners, LGT Impact, Maj Invest, British International Investments, ABC Impact and others. As on September 30, 2024, the company had operations in 21 states/Union Territories through 485 branches, managing a portfolio of Rs. 4,975 crore.

Key financial indicators (audited)

AFL	FY2023	FY2024	H1 FY2025
Total income	637	1,066	711
Profit after tax	54	161	108
Total managed assets	2,721	4,473	4,975
Gross stage 3	2.5%	3.2%	3.3%
CRAR	31.1%	32.8%	37.6%

Source: Company, ICRA Research; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

S. no.	Trust name	Instrument	Current rating (FY2026)		Chronology of rating history for the past 3 years			
			Initial rated amount (Rs. crore)	Current rated amount (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
					May 28, 2025	May 24, 2024	March 31, 2024	-
1	SBL JANHAVI 24	PTC Series A	50.00	6.84	[ICRA]AA+(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-

Complexity level of the rated instrument

Trust name	Instrument	Complexity indicator
SBL JANHAVI 24	PTC Series A	Moderately Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

Trust name	Instrument	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Current rated amount (Rs. crore)	Rating
SBL JANHAVI 24	PTC Series A	March 27, 2024	10.25%	September 14, 2026	6.84	[ICRA]AA+(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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