

May 30, 2025

Aye Finance Limited (erstwhile Aye Finance (P) Ltd.) : Ratings confirmed as final for PTCs backed by unsecured business loan receivables issued by SBL Sarika 0225

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
SBL Sarika 0225	PTC Series A1	90.40	[ICRA]AA+(SO); provisional rating confirmed as final
	Equity Tranche PTCs	1.00	[ICRA]AA(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

In March 2025, ICRA had assigned provisional ratings to the pass-through certificates (PTCs) Series A1 and Equity Tranche PTCs issued by SBL Sarika 0225 under a securitisation transaction originated by Aye Finance Limited (erstwhile Aye Finance (P) Ltd.) (AFL/Originator; rated [ICRA]A(Stable)). The PTCs are backed by a pool of unsecured business loan receivables with Rs. 100.44 crore (pool receivables of Rs. 129.78 crore). AFL is likely to act as the servicer for the transaction. Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said ratings have now been confirmed as final.

Pool performance summary

Parameter	SBL Sarika 0225
Payout month	May 2025
Months post securitisation	3
Pool amortisation	13.27%
PTC Series A1 amortisation	14.75%
Equity Tranche PTCs amortisation	0.00%
Cumulative collection efficiency	2.09%
Cumulative prepayment rate	99.38%
Loss-cum-0+ dpd	1.22%
Loss-cum-30+ dpd	0.51%
Loss-cum-90+ dpd	0.00%
Cumulative cash collateral utilisation	0.00%

Transaction Structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout to PTC Series A1. The principal is expected to be paid on a monthly basis for PTC Series A1 (100% of the pool principal billed) but is promised on the final maturity date. The EIS available after meeting the expected and promised PTC payments will be passed on to the originator (in case there are no EIS trigger events), in case of an EIS trigger event, the EIS available will be used for accelerated redemption of PTC Series A1 (until PTC Series A1 are outstanding). Any prepayment in the pool would be used for the prepayment of PTC Series A1 principal (until PTC Series A1 are outstanding). For the Equity Tranche PTCs, the entire principal is promised on the final maturity date while no yield is promised.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 8.00% of the pool principal to be provided by the Originator, (ii) subordination of 10.00% of the pool principal for PTC Series A1 and subordination of 9.00% of

the pool principal for Equity Tranche PTCs, (iii) the Excess Interest Spread (EIS) of 21.55% of the pool principal for PTC Series A1 and EIS of 21.55% of the pool principal for Equity Tranche PTCs;

Key rating drivers and their descriptions

Credit strengths

Granular pool supported by the presence of credit enhancement – The pool is granular in nature, with top 10 obligors forming only 2.98% of the initial pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, subordination and EIS would absorb some amount of the losses in the pool and provide support in meeting the investor payouts.

No overdue contracts in the pool – The pool has been filtered in such a manner that there are no overdue contracts as on the cut-off date. Also, none of the contracts have never been overdue since origination which is a credit positive.

Adequate servicing capability of the originator – The originator 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 across multiple geographies.

Credit challenges

High geographical concentration: The pool has high geographical concentration with the top 3 states, viz. Bihar, Jharkhand and Uttar Pradesh, contributing 50% to the initial pool principal amount. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

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 4.00% of the initial pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 3% to 12% 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 rating for the instrument.

Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction Name	SBL Sarika 0225
Originator	AFL
Servicer	AFL
Trustee	Catalyst Trusteeship Limited

Transaction Name	SBL Sarika 0225
CC holding bank	State Bank of India
Collection and payout account Bank	ICICI Bank Limited

Liquidity position: Superior for PTC Series A1 and Equity Tranche PTCs

The liquidity for PTC Series A1 and Equity Tranche PTCs is superior after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement is ~7.25 times the estimated loss in the pool for PTC Series A1 and ~7.00 times the estimated loss in the pool for equity tranche PTCs.

Rating sensitivities

Positive factors – The sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and an increase in the cover available for future investor payouts from the credit enhancement would result in a ratings upgrade.

Negative factors – The sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a ratings downgrade. Weakening in the credit profile of the servicer (AFL) could also exert pressure on the ratings.

Analytical approach

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Analytical Approach	
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

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

Source: Company; ICRA research; All ratios as per ICRA calculations; Amounts 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	Current Rating (FY2026)		Chronology of Rating History for the Past 3 Years			
		Instrument	Amount Rated (Rs. crore)	Date & Rating in FY2026	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023
				May 30, 2025	March 19, 2025	-	-
1	SBL Sarika 0225	PTC Series A1	90.40	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	-	-
		Equity Tranche PTCs	1.00	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A1	Moderately Complex
Equity Tranche PTCs	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 Name	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
SBL Sarika 0225	PTC Series A1	March 12, 2025	10.05%	August 15, 2027	90.40	[ICRA]AA+(SO)
	Equity Tranche PTCs	March 12, 2025	Nil	August 15, 2027	1.00	[ICRA]AA(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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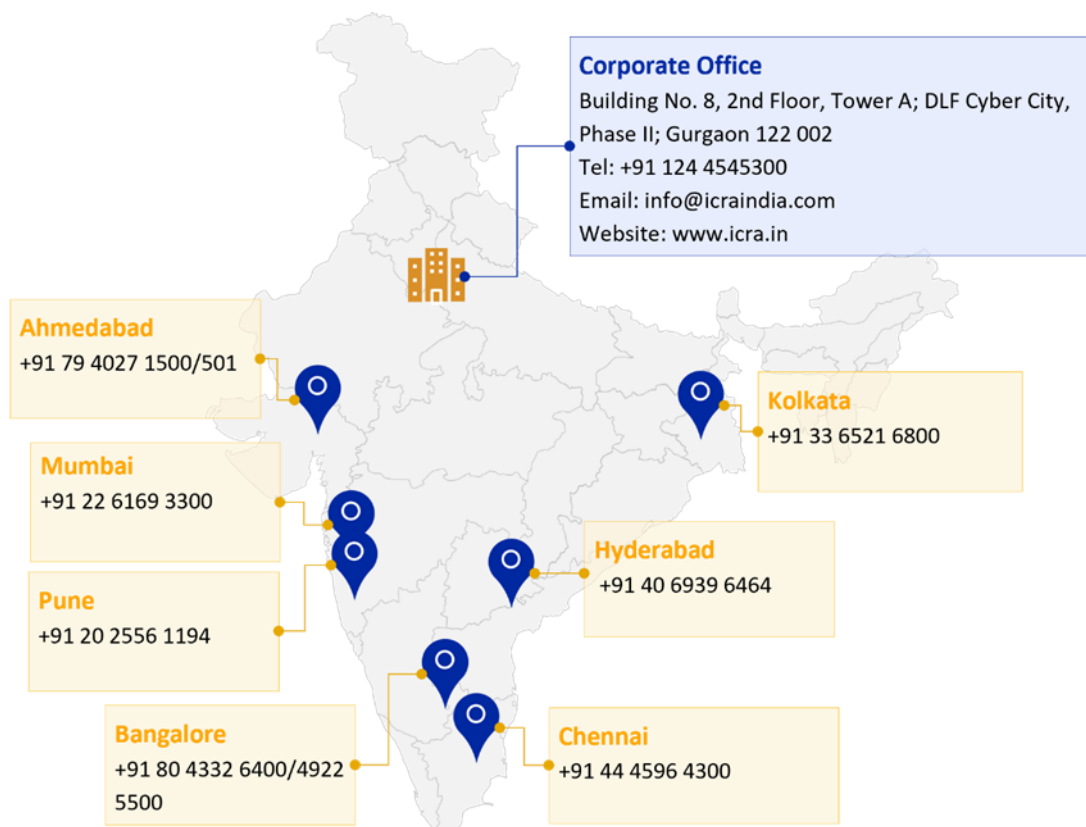


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