

July 22, 2025

Aye Finance Limited (erstwhile Aye Finance (P) Ltd.) : Ratings confirmed as final for PTCs backed by unsecured business loan receivables issued by HITHIKA 01 TRUST 2025

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
HITHIKA 01 TRUST 2025	PTC Series A1	281.49	[ICRA]AA+(SO); provisional rating confirmed as final
	Equity Tranche PTCs	23.18	[ICRA]A+(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

In June 2025, ICRA had assigned a provisional rating to the pass-through certificates (PTCs) Series A1 and Equity Tranche PTCs issued by HITHIKA 01 TRUST 2025 under a securitisation transaction originated by Aye Finance Limited (erstwhile Aye Finance (P) Ltd.) (AFL/Originator). The PTCs are backed by a pool of unsecured business loan receivables with Rs. 331.16 crore (pool receivables of Rs. 419.80 crore).

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.

Transaction structure

As per the transaction structure, the tenure of the pool shall be divided into two periods – replenishment period and amortisation period.

Replenishment period

The replenishment period will be for 12 months from the transaction commencement date. During this period, PTC Series A1 investors will receive only the promised interest payouts on a monthly basis and the balance pool collections will be used by the trust to purchase fresh loan receivables as per the selection criteria such that the pool principal remains unchanged. Further, as per the transaction structure, residual pool collections will be used to redeem the PTC Series A1, till the overcollateral builds up to 18% of the initial pool principal from 8% of the initial pool principal at time of transaction commencement date. This will lead to buildup of subordination for the rated instruments.

The transaction also entails certain trigger events for early amortisation. A breach of any of these trigger events would lead to the end of the replenishment period and the start of the amortisation period. If a trigger event occurs at any time during the replenishment period, then the tenure of the PTCs shall be reduced and be co-terminus with the remaining tenure of the pool of receivables assigned to the trust.

Amortisation period

Post the replenishment period, the residual pool collections will be utilised to repay PTC Series A1. The monthly cash flow schedule will comprise of the promised interest payout for PTC Series A1. The principal for PTC Series A1 is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will either be used to prepay PTC Series A1 (till overcollateral increases to 18% of the initial pool principal) or flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of Series A1 PTC principal. Post the payment of PTC Series A1, all pool collections will be used to repay Equity Tranche PTCs. The principal for Equity Tranche PTCs is promised on the final maturity date.

The credit enhancement available in the structure is in the form of (i) a CC of 3.00% of the initial pool principal, amounting to Rs. 9.93 crore, to be provided by the Originator, (ii) principal subordination of 15.00% of the initial pool principal for PTC Series A1 and 8.00% of the initial pool principal for Equity Tranche PTCs, and (iii) the entire EIS in the structure. However, the principal subordination would build up during the replenishment period basis the transaction structure.

AFL will initially be the Servicer for the transaction.

Key eligibility criteria for the receivables

The eligibility criteria shall be met on commencement of the transaction and also at each replenishment event for all the new assets being added as well as for the updated pool (as applicable)

The following key eligibility criteria will have to be met:

- All loans should be hypothecation loans.
- The original loan amount should not be more than Rs. 400,000.
- One loan per obligor.
- Annualized Rate of interest (without any fees) on the loans not to exceed 35% and should not be less than 15%.
- Loans should not have been overdue for more than 30 days on any date since their origin.
- All loans are to be current or 0 DPD at the respective cutoff dates.
- Bureau score of the obligors not to be lower than [600].
- Concentration of any state should not exceed 25%, and top 3 state exposure not greater than 50% as of the Cut-off Dates.
- Weighted average bureau score of the obligors not to be lower than [685]; obligors with Equifax score lower than [650] not be more than [10]% as of the Cut-off Dates.
- New to credit customers should be maximum 15% of the portfolio as of the Cut-off Dates.
- Exposure to each Industry shall not exceed 25% of the portfolio as of the Cut-off Dates.

Trigger events for early amortisation

The following key early amortisation triggers which will lead to end of amortisation period:

- Usage of Cash Collateral/First Loss Credit Enhancement during the Replenishment Period
- Rating downgrade for the PTC Series A1
- Rating downgrade for the Originator
- 3 months rolling average PAR 30 delinquency exceeds [6.5]% of the outstanding pool principal balance
- 3 months rolling average PAR 90 delinquency exceeds [4.0]% of the outstanding pool principal balance
- 3 months rolling average excess spread lower than [8]% p.a.
- Servicer's Event of Default
- PTC Series A1 Outstanding Amount is greater than 86% of the Current Performing Outstanding balance (defined as ODPD portfolio principal balance).

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement: The current pool is granular with no obligor exceeding 0.01% of the pool principal and the follow-on pools are also expected to be granular, 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 PTC payouts. Basis the target overcollateral amount criteria the EIS would be passed to PTC Series A1 for the first six months of the replenishing period which would lead to increasing the subordination for PTC Series A1 and equity tranche to 27.5% and 20.5% respectively (assuming 100% collection efficiency and nil prepayment).

No overdue contracts in the pool: The initial pool has no overdue contracts as on pool cut-off date. Further any follow-on pool would also not include any overdue contracts on date of assignment to trust 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

Moderate pool selection criteria: A potential concern pertaining to a replenishing structure is the uncertainty regarding the exact composition of the additional receivables. While the current transaction has a specified eligibility criteria the follow on pools may have a lower seasoning, lower interest rate contracts, contracts from weaker geographies and moderate share of lower bureau score contracts. A higher presence of lower interest rates contracts would impact the excess interest spread adversely which acts as a credit enhancement in the structure.

Risks associated with lending business: The performance of both the initial and the follow-on pools 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. Both the initial and the follow-on pools are 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. However, since the pool in the current transaction would be revised during the replenishment period, the characteristics of the pool would change unlike other PTC transactions where the pool is static. ICRA has used the defined eligibility criteria to arrive at a potential loss for the follow-on pools. The resulting collections from the current pool and follow on pools, 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 transaction, ICRA has estimated the shortfall in the pool principal collection during its tenure at 5.50% 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	HITHIKA 01 TRUST 2025
Originator	AFL
Servicer	AFL
Trustee	Catalyst Trusteeship Limited
CC holding bank	State Bank of India
Collection and payout account Bank	ICICI Bank Limited

Liquidity position:

The liquidity for PTC Series A1 is superior after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be ~7.0 times the estimated loss in the pool.

The liquidity for Equity Tranche PTCs is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be ~5.5 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Since the principal amortisation would begin on the crystallisation of the final pool, the ratings are unlikely to be upgraded till the final pool is crystallised. The ratings could be upgraded basis the healthy collections observed in the final crystallised pool, leading to the build-up of the credit enhancement cover over the rated PTCs.

Negative factors – The ratings could be downgraded on the occurrence of a trigger event, non-adherence to the key transaction terms and deterioration in the performance of the follow-on pools such that the delinquencies during the amortisation period are higher than expected. 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

Aye Finance Limited (erstwhile Aye Finance (P) Ltd.) 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-Rs. 1 crore. Aye Finance offers loans either through hypothecation of working assets (83% of AUM as on March 31, 2025) or through mortgage properties (mortgage loan and quasi-mortgage loan constituting 15% and 2% of AUM respectively as on March 31, 2025). The company commenced operations in FY2014 and is founded under the leadership of Mr. Sanjay Sharma who has experience in retail lending. Aye Finance 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 March 31, 2025, the company had operations in 21 states/Union Territories through 527 branches, managing a portfolio of Rs. 5,525 crore.

Key financial indicators

	FY2023	FY2024	FY2025
Total income	637	1,066	1,501
PAT	54	161	171
Total managed assets	2,721	4,473	5,525
Gross stage 3 assets	2.5%	3.2%	4.2%
CRAR	31.1%	32.8%	34.9%

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
				July 22, 2025	June 06, 2025			
1	HITHIKA 01 TRUST 2025	PTC Series A1	281.49	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	-	-	-
		Equity Tranche PTCs	23.18	[ICRA]A+(SO)	Provisional [ICRA]A+(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
HITHIKA 01 TRUST 2025	PTC Series A1	June 30, 2025	10.05%	February 20, 2029	281.49	[ICRA]AA+(SO)
	Equity Tranche PTCs		Nil	February 20, 2029	23.18	[ICRA]A+(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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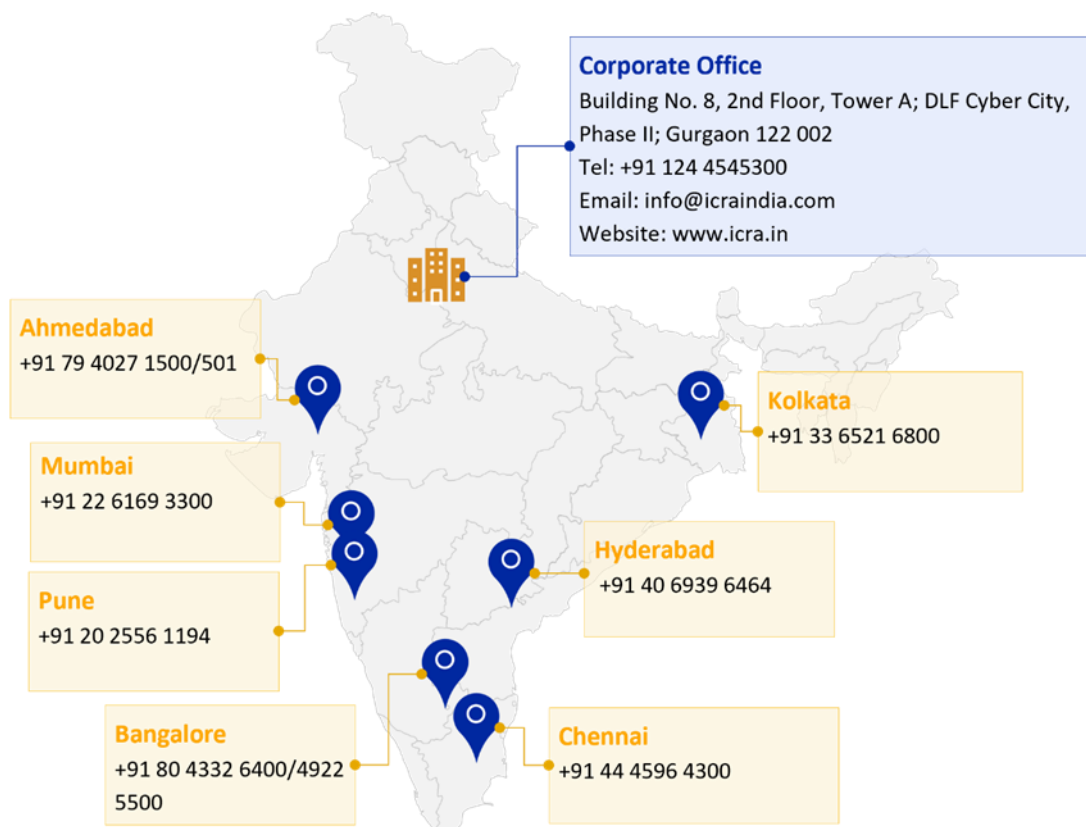


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