

July 28, 2025

## Aye Finance Limited (erstwhile Aye Finance (P) Ltd.): Rating actions for PTCs issued under unsecured business loan securitisation transactions

### 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 Mrinalini 0424	PTC Series A1	76.76	NA	13.20	[ICRA]AA(SO); reaffirmed
SBL Thulasi 05 2024	PTC Series A	91.90	NA	12.85	[ICRA]AA+(SO); upgraded from [ICRA]AA(SO)

\*Instrument details are provided in Annexure I

### Rationale

The pass-through certificates (PTCs) are backed by pools 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 transactions.

The rating reaffirmation/upgrade factors in the build-up of the credit enhancement cover over the future PTC payouts on account of the high amortisation and lower balance tenor of the PTCs. The ratings also draw comfort from the fact that the breakeven collection efficiency is comfortably below the actual collection level observed in the pool till the June 2025 payout month.

### Pool performance summary

Parameter	SBL Mrinalini 0424	SBL Thulasi 05 2024
Payout month	June 2025	June 2025
Months post securitisation	13	14
Pool amortisation (as % of initial pool principal)	75.15%	77.37%
PTC Series A/A1 amortisation	82.80%	86.01%
Last 3 months' average collection efficiency <sup>1</sup>	84.49%	88.85%
Cumulative collection efficiency <sup>2</sup>	92.34%	94.47%
Cumulative prepayment rate	32.78%	33.07%
Loss-cum-30+ dpd <sup>3</sup> (% of initial pool)	8.85%	6.49%
Loss-cum-90+ dpd <sup>4</sup> (% of initial pool)	7.75%	5.37%
Cumulative cash collateral (CC) utilisation	0.00%	0.00%
Breakeven collection efficiency <sup>5</sup> for PTC Series A/A1	26.60%	23.33%
CC available (% of balance pool)	35.82%	30.93%
Excess interest spread (EIS; % of balance pool) for PTC Series A/A1 <sup>6</sup>	11.00%	9.67%
Principal Subordination (% of balance pool principal): for PTC Series A/A1	36.04%	44.38%

<sup>1</sup> Average of (Total current and overdue collections for the month as a % of Total billing for the month) for 3 months

<sup>2</sup> (Cumulative current and overdue collections till date)/(Cumulative billing till date + Opening overdues at the start of the transaction)

<sup>3</sup> Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 30 days, as a % of Initial pool principal

<sup>4</sup> Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 90 days, as a % of Initial pool principal

<sup>5</sup> (Balance cash flows payable to investor – CC available)/Balance pool cash flows

<sup>6</sup> (Pool interest – Interest to PTC Series A/A1 investors)/Pool principal outstanding

## Transaction structure

### For SBL Mrinalini 0424:

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 monthly basis. Any prepayment in the pool would be used for the prepayment of the PTC Series A1 principal. The transaction has certain trigger events defined, on occurrence of which the residual cash flows would be passed on to PTC Series A1 investors.

### For SBL Thulasi 05 2024:

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 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 A1 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 31-36% of the balance pool principal from 7-7.6% at the time of securitisation. Internal credit support is also available through EIS and subordination for both the transactions. There has been no CC utilisation in both the pools in any of the months post securitisation.

**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

**Higher than expected delinquencies in the pool** - Both the pools have seen higher delinquency than ICRA expectations. While there has some slowdown in roll forward in softer delinquency buckets in recent months, there has been a buildup in delinquencies in harder buckets with loss cum 90+ dpd at 7.75% and 5.37% for SBL Mrinalini 0424 and SBL Thulasi 05 2024 transactions respectively. The collections from the delinquent contracts have been lower, which is expected given the unsecured nature of the loans in the pools. Further while the monthly collection efficiency in the pools has seen a dip, it is higher than the break-even collection efficiency for the PTCs, which is comforting.

**Risks associated with lending business** – The performance of the 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. Further, pools 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 5.25% of the initial pool principal for SBL Mrinalini 0424 and 4.00% of the initial pool principal for SBL Thulasi 05 2024 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 Mrinalini 0424	SBL Thulasi 05 2024
Originator	AFL	AFL
Servicer	AFL	AFL
Trustee	Catalyst Trusteeship Limited	Catalyst Trusteeship Limited
CC holding bank	ICICI Bank Limited	The Federal Bank Limited
Collection and payout account bank	Kotak Mahindra Bank	The Federal Bank Limited

## Liquidity position: Strong

### For SBL Mrinalini 0424:

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 ~3.50 times the estimated loss in the pool for the transaction.

### For SBL Thulasi 05 2024:

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 ~4.75 times the estimated loss in the pool for the transaction.

## Rating sensitivities

**Positive factors** – The rating may be upgraded on the sustained strong collection and reduction in delinquency levels in pools.

**Negative factors** – The rating could be downgraded on the sustained weak collection performance of the underlying pools of contracts, leading to further increase in delinquency 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 pools till the June 2025 payout month, the present delinquency profile of the pool of contracts, the performance expected over the balance pool tenures, and the credit enhancement available in the transactions.

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
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 (audited)

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

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	Current rating (FY2026)			Chronology of rating history for the past 3 years				
		Instrument	Initial rated amount	Current rated amount	Date & rating in FY2026	Date & rating in FY2025		Date & rating in FY2024	Date & rating in FY2023
			(Rs. crore)	(Rs. crore)	July 28, 2025	July 04, 2024	May 02, 2024	-	-
1	SBL Mrinalini 0424	PTC Series A1	76.76	13.20	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-

S. no.	Trust name	Instrument	Current rating (FY2026)		Chronology of rating history for the past 3 years				
			Initial rated amount	Current rated amount	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	
			(Rs. crore)	(Rs. crore)	July 28, 2025	July 04, 2024	June 04, 2024	-	-
2	SBL Thulasi 05 2024	PTC Series A	91.90	12.85	[ICRA]AA+(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-

### Complexity level of the rated instrument

Trust name	Instrument	Complexity indicator
SBL Mrinalini 0424	PTC Series A1	Moderately Complex
SBL Thulasi 05 2024	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
<b>SBL Mrinalini 0424</b>	PTC Series A1	April 26, 2024	10.25%	October 22, 2026	13.20	[ICRA]AA(SO)
<b>SBL Thulasi 05 2024</b>	PTC Series A	May 30, 2024	10.15%	September 16, 2026	12.85	[ICRA]AA+(SO)

Source: Company

#### Annexure II: List of entities considered for consolidated analysis

Not applicable

## ANALYST CONTACTS

**Manushree Saggar**

+91 124 4545 316

[manushrees@icraindia.com](mailto:manushrees@icraindia.com)

**Sachin Joglekar**

+91 22 6114 3470

[sachin.joglekar@icraindia.com](mailto:sachin.joglekar@icraindia.com)

**Gaurav Mashalkar**

+91 22 6114 3431

[gaurav.mashalkar@icraindia.com](mailto:gaurav.mashalkar@icraindia.com)

**Abhishek Jena**

+91 22 6114 3432

[abhishek.jena@icraindia.com](mailto:abhishek.jena@icraindia.com)

**Ritu Rita**

+91 22 6114 3409

[ritu.rita@icraindia.com](mailto:ritu.rita@icraindia.com)

## RELATIONSHIP CONTACT

**L Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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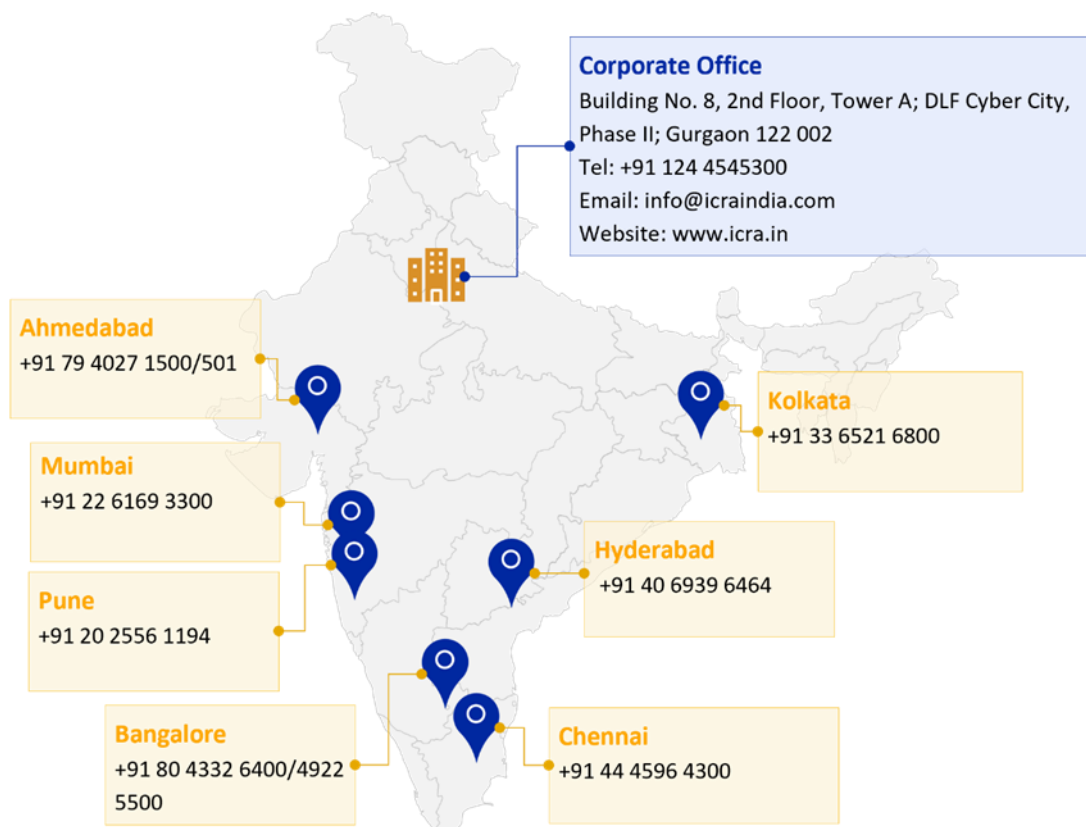


### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001  
Tel: +91 11 23357940-45



### Branches



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