

September 29, 2025

## Aye Finance Limited (erstwhile Aye Finance (P) Ltd.): Ratings reaffirmed 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
AJANTA 01 TRUST 2024	PTC Series A1	212.47	NA	140.86	[ICRA]AA(SO); reaffirmed
	Series B PTCs	17.29	NA	17.29	[ICRA]A+(SO); reaffirmed

\*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 {AFL (erstwhile Aye Finance (P) Ltd.)/Originator; rated [ICRA]A (Stable)}. AFL is also the servicer for the transaction.

As of the August 2025 payout month the transaction is currently in the replenishment period and the current pool meets the defined eligibility criteria. The rating action takes into account the increase in credit enhancement cover and moderately healthy pool collections. ICRA has also taken comfort from the defined eligibility criteria, which ensures that the follow-on pools continue to have a better credit profile.

### Pool performance summary

Parameter	AJANTA 01 TRUST 2024
Payout month	August 2025
Months post securitisation	14
Pool amortisation (as % of initial pool principal)	6.2%
PTC Series A1 amortisation	33.7%
Series B PTCs amortisation	Nil
Last 3 months' average collection efficiency <sup>1</sup>	87.4%
Cumulative collection efficiency <sup>2</sup>	92.8%
Cumulative cash collateral (CC) utilisation	0.0%
CC available (% of balance pool)	3.2%
Principal subordination (% of balance pool principal) for PTC Series A1	39.2%
Principal subordination (% of balance pool principal) for Series B PTCs	31.8%

### 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 24 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

<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)

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 advance rate is more than or equal to 60%<sup>3</sup>. The advance rate is defined as outstanding amount of PTC Series A1 divided by sum of the principal outstanding value of all underlying loans (that are up to 30 days past due (dpd)) and cash collateral (CC). 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. Pool is currently in replenishment period.

#### **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 (if advance rate as defined earlier is more than or equal to 50%) 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 Series B PTCs. The principal for Series B PTCs is promised on the final maturity date.

The credit enhancement available in the structure is in the form of CC, principal subordination and the entire EIS in the structure. However, the principal subordination would build up during the replenishment period basis the transaction structure.

#### **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:

- Loans are not overdue;
- Loans should not have been overdue more than 30 DPD on any date since origination;
- Concentration to any state in the underlying pool to not exceed 15%; However, for the states of UP, Bihar and Rajasthan, the limit shall be 20% and 5% for states of Gujarat, Delhi and Jammu;
- Weighted average Annualised Rate of Interest (without any fees) on the underlying loans in the pool to be minimum 24%;
- Weighted average net seasoning is at least 4 months;

#### **Trigger events for early amortisation**

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

- The Originator does not have sufficient loans (which meet the Eligibility Criteria)
- Cumulative default rate exceeds 6% in the first 12 months and exceeds 8% thereafter; cumulative default rate is defined principal of loans in 30 dpd or more divided by aggregate pool principal
- PTC outstanding is more than 87% of principal outstanding value of all underlying loans in the outstanding pool that are current
- CC has been utilised
- Downward revision in the Servicer's rating below BBB by any of the existing rating agencies
- Downward revision in the rating assigned to the PTC Series A1

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<sup>3</sup> The advance rate threshold has been reduced from 70% at time of initial rating exercise to 60% basis investor approval

- Any default on its debt obligations by the Originator / Servicer or initiation of any insolvency proceedings by any lender of the Originator/Servicer or filing of insolvency application by any regulator of the Originator/Servicer

## Key rating drivers and their description

### Credit strengths

**Granular pool supported by presence of credit enhancement** – The pool is granular and basis the eligibility criteria the follow-on pools are also expected to be granular. The pool has no obligor exceeding Rs. 3.5 crore (~1.4% of the 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 PTC payouts. Basis the advance rate criteria the EIS is being used to repay PTC Series A1 during the replenishing period which has led to increasing the subordination for PTC Series A1 and Series B PTCs to 39.2% and 31.85% respectively from 14.00% and 7.00% at time of fresh rating exercise.

**No overdue contracts in the pool** – The initial pool had 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 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 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 principal of the pool crystallised at the end of replenishment period at ~6.25% at end of its tenure 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 transaction is as follows:

Transaction name	AJANTA 01 TRUST 2024
Originator	AFL
Servicer	AFL
Trustee	Catalyst Trusteeship Limited
CC holding bank	HDFC Bank
Collection and payout account bank	ICICI Bank

## Liquidity position: Superior

The liquidity for PTC Series A1 and Series B PTCs is superior after factoring in the credit enhancement available to meet the promised payouts to the investors. The total credit enhancement would be ~8 times and 6.75 times the estimated loss in the pool for PTC Series A1 and Series B PTCs respectively.

## 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 (Aye) could also exert pressure on the rating.

## Analytical approach

The rating action is based on the performance of the pool till the August 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 transaction.

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-1 crore. It offers loans either through the hypothecation of working assets (83% of assets under management (AUM) as on March 31, 2025) or through mortgaged properties (mortgage loans and quasi-mortgage loans constituting 15% and 2% of AUM, respectively, as on March 31, 2025).

The company commenced operations in FY2014 and was 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 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	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
					September 29, 2025	September 13, 2024	July 02, 2024	-	-	
1	AJANTA 01 TRUST 2024	PTC Series A1	212.47	140.86	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-	
		Series B PTCs	17.29	17.29	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-	

### Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A1	Moderately Complex
Series B 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	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Current rated amount (Rs. crore)	Rating
<b>AJANTA 01 TRUST 2024</b>	PTC Series A1	June 28, 2024	10.60%	December 20, 2028	140.86	[ICRA]AA(SO)
	Series B PTCs		0.01%		17.29	[ICRA]A+(SO)

Source: Company

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

Not applicable

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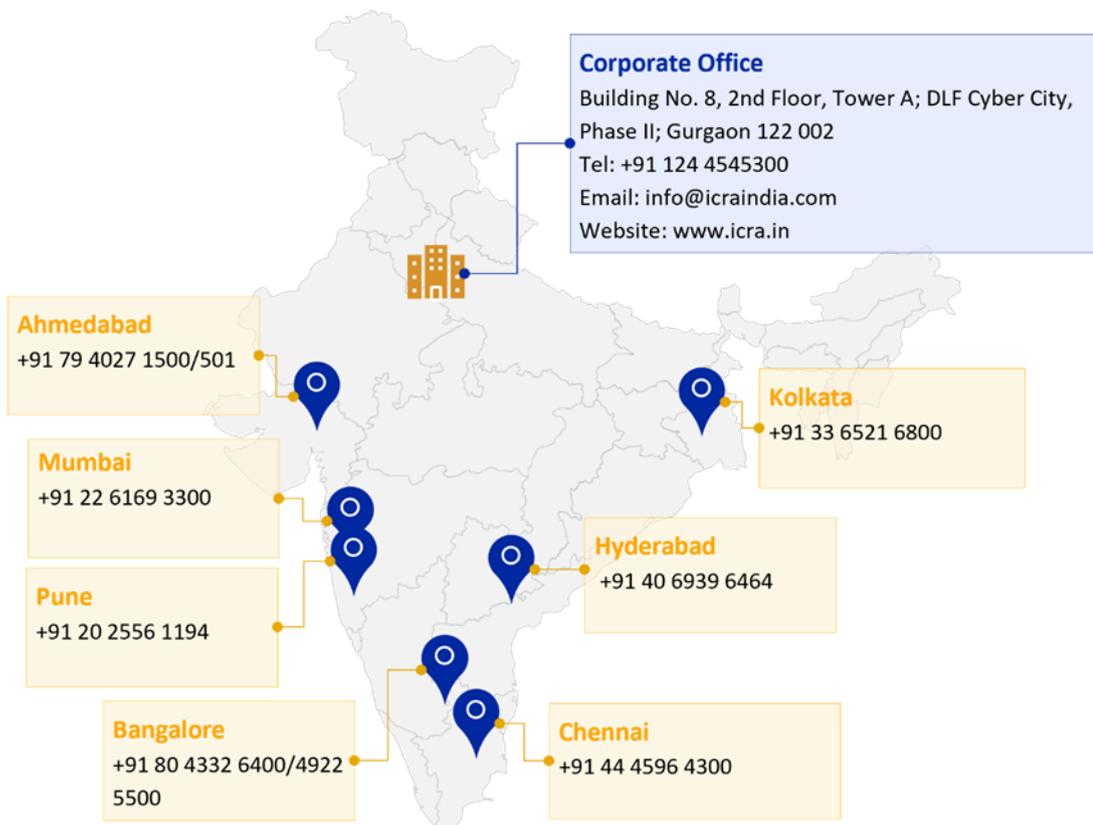
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