

December 30, 2025

Aye Finance Limited (erstwhile Aye Finance (P) Ltd.): Provisional [ICRA]AA+(SO) assigned to PTC Series A1 and Provisional [ICRA]A(SO) assigned to Equity Tranche PTCs issued by SBL Lavanya 1225, backed by a pool of unsecured business loans

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
SBL Lavanya 1225	PTC Series A1	112.80	Provisional [ICRA]AA+(SO); assigned
	Equity Tranche PTC	11.54	Provisional [ICRA]A(SO); assigned

*Instrument details are provided in Annexure I

Rating in the absence of pending actions/documents	No ratings would have been assigned as it would not be meaningful
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Rationale

The pass-through certificates (PTCs) are backed by a pool of unsecured business loan receivables originated by Aye Finance Limited (erstwhile Aye Finance (P) Ltd.) (AFL/Originator; rated [ICRA]A(Stable)) with an aggregate principal outstanding of Rs. 128.18 crore (pool receivables of Rs. 164.71 crore). AFL will be the Servicer for the transaction.

The provisional ratings are based on the strength of the cash flows from the selected pool of contracts along with the eligibility criteria for follow-on pools, the credit enhancement available in the structure as well as the integrity of the legal structure. The provisional ratings are subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

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 target credit enhancement (defined as cash collateral plus subordination) builds up from 18% to 23% for PTC Series A1. 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, 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 6.00% of the initial pool principal, amounting to Rs. 7.69 crore, to be provided by the Originator, (ii) principal subordination of 12.00% of the initial pool principal for PTC Series A1 and 3.00% 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.

Key eligibility criteria for the receivables

Receivables comprising the Receivables shall be identified on the basis of criteria specified below:

- Minimum Holding Period (MHP) of the Receivables should meet the criteria set under the Securitization Guidelines;
- Loans are existing at the time of selection, and have not been terminated or prepaid;
- Compliance with "know your customer" norms specified by the RBI;
- Loans are not overdue;
- The Loans should not have been rescheduled or restructured by the Seller up to the Cut-off Date save and except for moratorium availed by certain Obligors from March 2020 to August 2020 pursuant to the RBI notification no. RBI/2019-20/244 dated May 23, 2020 read with RBI notification no. RBI/2019-20/186 dated March 27, 2020 and RBI Notification dated April 17, 2020.
- No Facility is classified as a non-performing asset for the purposes of the directions and guidelines of the RBI.
- None of the loans have original sanction more than Rs. 400,000 in the pool
- Residual Maturity of the loans is not less than 365 days
- Loans should have Peak DPD zero
- None of the loans have loan amount less than Rs. 1,00,000
- None of the loans are from states - Gujarat, Delhi, AP, Telangana, WB & J&K
- None of the borrowers have Latest Bureau score < 700

Trigger events for early amortisation

On the occurrence of any of the following trigger events, the Replenishment Period will end immediately with no further loans / receivables being purchased and the PTCs will move to the Amortization Period.

- failure to provide at any instance of the Follow-on Receivables that comply with the eligibility criteria set out below such that the new/follow-on receivables provided are less than 88% of the Accumulated Amounts on any Payout Date;.
- Occurrence of any Seller's Event of Default
- Occurrence of any Servicer's Event of Default as specified in the Servicing Agreement
- Rating of the Servicer / Seller falls by 1 notch or more below the rating of the Servicer / Seller as of the Initial Assignment Date & Supplemental Assignment / Replenishment Dates
- The eligibility/selection criteria is not in compliance with any statutory or any regulatory requirements
- The rating of the PTC Series A1 falls by 1 notch or more below their rating as on the Initial Assignment Date & Supplemental Assignment / Replenishment Dates
- The occurrence of an insolvency-related event with regard to the Seller
- Any reps/warranties by the Seller/Servicer are found to be false or the Seller/ Servicer's inability to perform its obligations and undertakings under the Transaction Documents
- Utilization of CC
- The PTC-holders will have a minimum of 30 days and a maximum of 90 days to review the impact of the regulatory action and determine the usage of the stored principal collections and next steps (if any), with early amortization being the worst-case action

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement - The current pool is granular and basis the eligibility criteria 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 targeted credit enhancement feature the excess EIS would be passed to PTC Series A1 during part of the replenishing period which would lead to increasing the subordination for PTC Series A1 and equity tranche to 17.01% and 8.01% 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 5.25% 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.

Liquidity position:

The liquidity for PTC Series A1 is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be ~5.75 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 ~4 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 analysis of the performance of AFL's portfolio till September 2025, the key characteristics and composition of the current pool, the eligibility criteria for follow-on pools, the performance expected over the balance tenure of the pools, and the credit enhancement cover available in the transaction.

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

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into final upon the execution of:

1. Trust Deed
2. Agreement to Assign (which will include the Deed of Assignment)
3. Deed of Assignment(s) in respect of transfer of Initial Pool and thereafter for each Pool
4. Servicer Agreement
5. Alternate Servicer Agreement
6. Credit Enhancement Agreement
7. Power of Attorney
8. Any other documents executed for the transaction

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

About the originator

Aye Finance (P) Limited (Aye Finance) 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 hypothecation of working assets (81% of AUM as on June 30, 2025) or through mortgage properties (mortgage loan and quasi-mortgage loan constituted 17% and 2% of AUM, respectively, as on June 30, 2025). Secured loans comprised 57% of the on-book portfolio 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 June 30, 2025, the company had operations in 21 states/ Union Territories through 527 branches, managing a portfolio of Rs. 5,721 crore.

Key financial indicators

	FY2024	FY2025	Q1 FY2026
Total income	1,066	1,501	404
Profit after tax	161	171	31
Total managed assets	5,360	6,971	7,333
Gross stage 3 assets	3.2%	4.2%	4.6%
CRAR	32.8%	34.9%	34.8%

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
					December 30, 2025	-	-
1	SBL Lavanya 1225	PTC Series A1	112.80	Provisional [ICRA]AA+(SO)	-	-	-
		Equity Tranche PTCs	11.54	Provisional [ICRA]A(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A1	Highly Complex
Equity Tranche PTCs	Highly 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 Lavanya 1225	PTC Series A1	December 23, 2025	9.80%	August 22, 2029	112.80	Provisional [ICRA]AA+(SO)
	Equity Tranche PTCs		-	August 22, 2029	11.54	Provisional [ICRA]A(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.

For more information, visit www.icra.in

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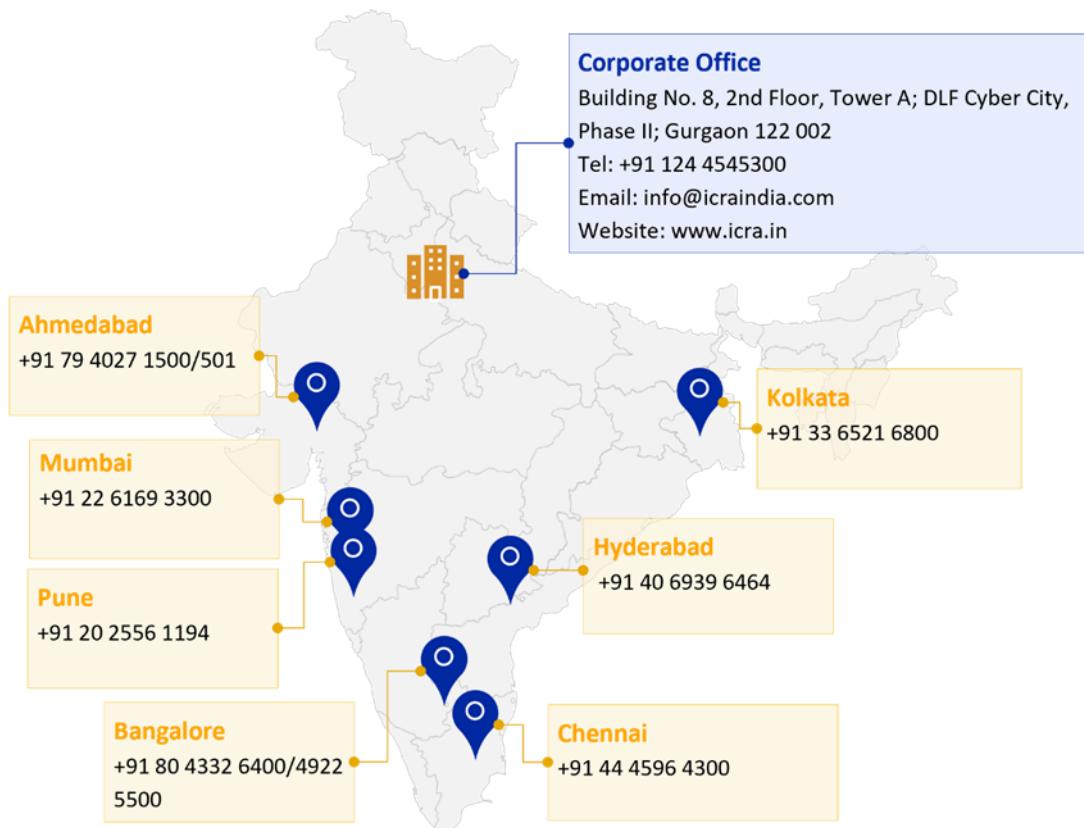
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