July 28, 2026

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	Financial Sector Regulator#
HITHIKA 01 TRUST 2025	PTC Series A1	281.49	NA	121.09	[ICRA]AA+(SO); reaffirmed	RBI
	Equity Tranche PTCs	23.18	NA	23.18	[ICRA]A+(SO); reaffirmed	RBI

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The pass-through certificates (PTCs) are backed by a pool of unsecured business loan receivables originated by Aye Finance Limited {AFL (erstwhile Aye Finance (P) Ltd.)/Originator; rated [ICRA]A(Stable)}[1]. AFL is also the servicer for the transaction.

The ratings reaffirmation factors in the build-up of the credit enhancement cover on account of moderate pool amortisation and moderately healthy pool performance. The ratings also draw comfort from the fact that the breakeven collection efficiency is comfortably below the actual collection level observed in the pools till the June 2026 payout month.

Pool performance summary

Parameter	HITHIKA 01 TRUST 2025
Payout month	June 2026
Months post securitisation	12
Pool amortisation (as % of initial pool principal)	35.5%
PTC Series A1 amortisation	53.2%
Equity Tranche PTCs amortisation	Nil
Cumulative collection efficiency[2]	94.4%
Cumulative cash collateral (CC) utilisation	0.0%
CC available (% of balance pool)	4.7%
Principal subordination (% of balance pool principal) for PTC Series A1	43.3%
Principal subordination (% of balance pool principal) for Equity Tranche PTCs	32.4%

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.

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[1] *The current rating rationale of the originator, available at this link, provides its detailed rating history and rating transitions.*

[2] *(Cumulative current and overdue collections till date)/(Cumulative billing till date + Opening overdues at the start of the transaction)*

Further, as per the transaction structure, residual pool collections will be used to redeem the PTC Series A1, till the over-collateral 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 over-collateral 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.

The transaction is in amortisation period due to breach of trigger events for early amortisation in Feb-26 payout.

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 0DPD portfolio principal balance).

Key rating drivers and their description

Credit strengths

Build-up of credit enhancement – The rating factors in the build-up in the credit enhancement with the cash collateral (CC) increasing to ~4.7% of the balance pool principal from 3.0% at the time of securitisation. Credit support is also available through subordination of 43.3% for PTC Series A1 and 32.4% for Equity Tranche PTCs, and excess interest spread (EIS) of 16.4% of the balance pool principal.

Moderate pool performance – The pool's performance has been moderately healthy with a cumulative collection efficiency of 94.4% as on June 2026 payout. The break-even collection efficiency is significantly lower than the actual collections seen in the pool. Further, there have been no instances of cash collateral utilisation for the pool till date owing to healthy collection performance and the presence of EIS in the transaction.

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 and recovery across a wide geography.

Credit challenges

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. The pool is 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 ~8.0% 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 transaction is as follows:

Transaction name	HITHIKA 01 TRUST 2025
Originator	AFL

Transaction name	HITHIKA 01 TRUST 2025
Servicer	AFL
Trustee	Catalyst Trusteeship Limited
CC holding bank	ICICI Bank Limited
Collection and payout account bank	ICICI Bank Limited

Liquidity position

Strong for PTC Series A1

The liquidity for PTC Series A1 is strong after factoring in the credit enhancement available to meet the promised payouts to the investors. The total credit enhancement would be ~4.5 times the estimated loss in the pool.

Strong for Equity Tranche PTCs

The liquidity for Equity Tranche PTCs is strong after factoring in the credit enhancement available to meet the promised payouts to the investors. The total credit enhancement would be ~3.5 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The sustained strong collection performance of the underlying pool of contracts 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 of contracts leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer (Aye) could also exert pressure on the ratings.

Analytical approach

The rating action is based on the performance of the pool till the June 2026 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	Rating Methodology for Securitisation Transactions
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

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 March 31, 2026, the company had operations in 21 states/Union Territories through 527 branches, managing a portfolio of Rs. 7,029 crore.

Key financial indicators (audited)

AFL	FY2024	FY2025	FY2026
Total income	1,066	1,501	1,863
Profit after tax	161	171	194
Total managed assets	5,360	6,971	7,773
Gross stage 3	3.2%	4.2%	4.8%
CRAR	32.8%	34.9%	42.2%

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

<table>
<tr><th rowspan="3">S. no.</th><th rowspan="3">Trust name</th><th colspan="3">Current rating (FY2026)</th><th colspan="5">Chronology of rating history for the past 3 years</th></tr>
<tr><th rowspan="2">Instrument</th><th rowspan="2">Initial rated amount (Rs. crore)</th><th rowspan="2">Current rated amount (Rs. crore)</th><th>Date & rating in FY2027</th><th colspan="2">Date & rating in FY2026</th><th>Date & rating in FY2025</th><th>Date & rating in FY2024</th></tr>
<tr><th>July 28, 2026</th><th>July 22, 2025</th><th>June 06, 2025</th><th>-</th><th>-</th></tr>
<tr><td rowspan="2">1</td><td rowspan="2">HITHIKA 01 TRUST 2025</td><td>PTC Series A1</td><td>281.49</td><td>121.09</td><td>[ICRA]AA+(SO)</td><td>[ICRA]AA+(SO)</td><td>Provisional [ICRA]AA+(SO)</td><td>-</td><td>-</td></tr>
<tr><td>Equity Tranche PTCs</td><td>23.18</td><td>23.18</td><td>[ICRA]A+(SO)</td><td>[ICRA]A+(SO)</td><td>Provisional [ICRA]A+(SO)</td><td></td><td></td></tr>
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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	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Current rated amount (Rs. crore)	Current Rating	Financial Sector Regulator#
HITHIKA 01 TRUST 2025	PTC Series A1	June 30, 2025	10.05%	February 20, 2029	121.09	[ICRA]AA+(SO)	RBI
	Equity Tranche PTCs		Nil		23.18	[ICRA]A+(SO)	RBI

Source: Company

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Annexure II: List of entities considered for consolidated analysis

Not applicable

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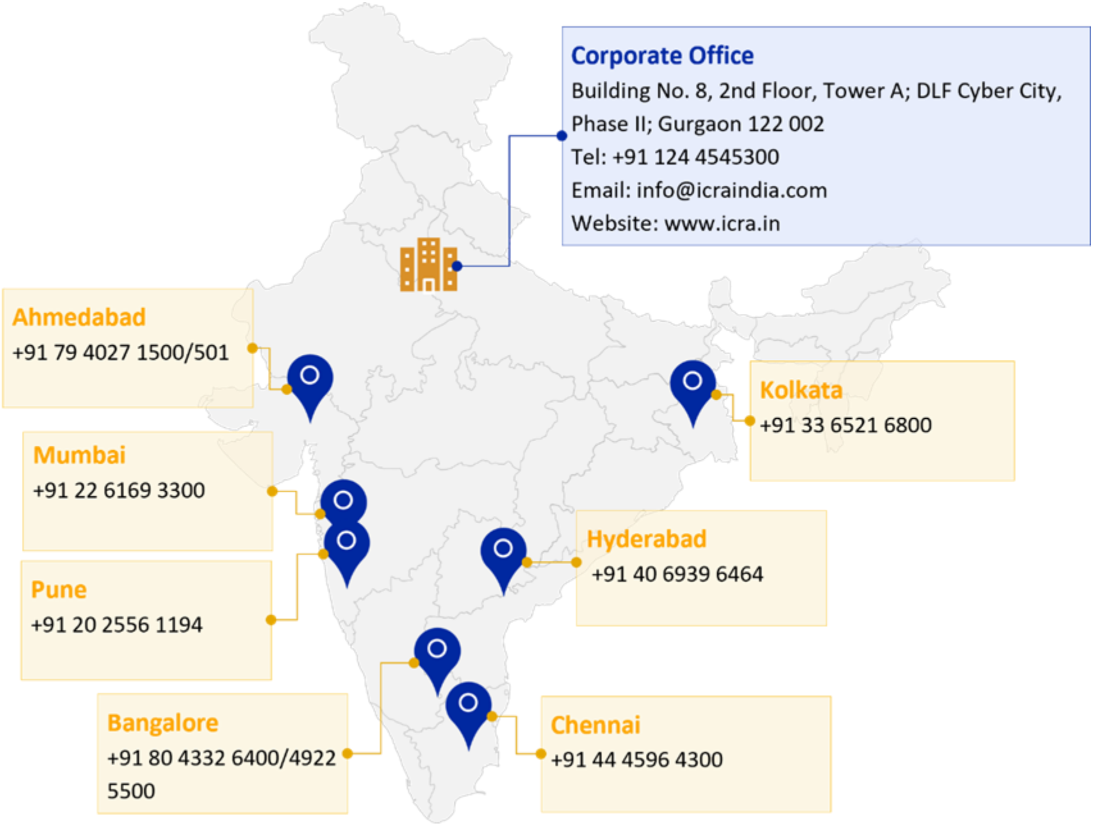

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