November 11, 2026

Aye Finance Limited (erstwhile Aye Finance (P) Ltd.): Rating upgraded to [ICRA]A+ (Stable)

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Long-term bank facilities	650.00	650.00	[ICRA]A+ (Stable); upgraded from [ICRA]A (Stable)	RBI
Non-convertible debenture	400.00	400.00	[ICRA]A+ (Stable); upgraded from [ICRA]A (Stable)	SEBI
Total	**1,050.00**	**1,050.00**		

**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 rating action factors in the improvement in Aye Finance Limited's (Aye Finance) capitalisation profile, supporting the envisaged scaleup of its operations. The company strengthened its capitalisation profile by raising ~Rs. 710 crore of primary equity in February 2026 vide an initial public offering (IPO). Consequently, its gearing (managed) reduced to 2.4 times as on September 30, 2026 (2.2 times as on March 31, 2026) from 3.0 times as on March 31, 2025. Aye Finance has regularly raised capital in the past and maintained a prudent capitalisation profile over the years. Prior to the IPO, it had raised primary equity capital of ~Rs. 250 crore in FY2025 and ~Rs. 310 crore in FY2024. Aided by regular equity infusions, the company was able to scale up its assets under management (AUM) at a compound annual growth rate of ~35% during FY2021-FY2026 to Rs. 7,044 crore as on March 31, 2026 (Rs. 7,597 crore as on September 30, 2026). In ICRA's opinion, with a net worth of ~Rs. 2,695 crore as on September 30 2026, the company is well capitalised to meet its envisaged growth plans over the near-to-medium term while maintaining a prudent capitalisation profile.

The rating also factors in the company's geographically diversified operations and the improvement in its earnings profile. Aye Finance reported a profit after tax of ~Rs. 161 crore in H1 FY2027, translating to an annualised return of 3.6% on average managed assets (AMA) and 12.3% on average net worth compared to ~Rs. 194 crore, 2.5% and 9.2%, respectively, in FY2026. While credit costs could exhibit some volatility due to the borrower profile and macroeconomic environment, the company should benefit from the expected improvement in its operating efficiency and maintain an adequate earnings profile.

The rating also considers the improvement in Aye Finance's reported asset quality indicators with gross stage 3 assets declining to 4.2% as on September 30, 2026 from 4.8% as on March 31, 2026, supported by write-offs and recoveries. Nonetheless, the asset quality remains monitorable because of suboptimal rainfall in the country and the high share of borrowers engaged in agriculture-allied activities. Further, given the marginal borrower profile and the assessed income-based lending model, the segment remains susceptible to income shocks, leading to higher delinquencies and volatility in the asset quality. The company's ability to sustainably improve its asset quality and contain slippages remains monitorable.

The Stable outlook on the rating reflects ICRA's opinion that Aye Finance will be able to continue scaling up its geographically diversified operations while maintaining comfortable capitalisation.

Key rating drivers and their description

Credit strengths

Comfortable capitalisation profile – Aye Finance's capitalisation profile has strengthened following the IPO in February 2026. The company raised ~Rs. 710 crore of primary equity capital, which bolstered its net worth and capitalisation profile. It has regularly raised capital in the past and maintained a prudent capitalisation profile over the years. Prior to the IPO, Aye Finance had raised ~Rs. 250 crore in FY2025 and ~Rs. 310 crore in FY2024. With a net worth of ~Rs. 2,695 crore, the gearing (managed) remained comfortable at 2.4 times as on September 30, 2026 while its capital-to-risk weighted assets ratio (CRAR) of ~41.0% was well above the regulatory requirement. In ICRA's opinion, Aye Finance is well capitalised to meet its envisaged growth plans over the near-to-medium term while maintaining a prudent capitalisation profile with the managed gearing expected to remain below 4 times.

Geographically diversified operations – Operating since 2014, the company has a diversified geographical presence with operations across 571 districts in 21 states and Union Territories (UTs) and AUM of ~Rs. 7,597 crore as on September 30, 2026. Aye Finance continues to maintain healthy geographical diversification with the share of the top 3 states at 43% of the AUM as on September 30, 2026 (44% as on March 31, 2026; 41% as on March 31, 2022). Further, district-level concentration remains healthy with the top 10 districts accounting for ~4% of the AUM as on September 30, 2026. ICRA expects the company to maintain geographically diversified operations as it continues to scale up its AUM by 20-25% over the near-to-medium term.

Improving operating efficiency to support profitability – The company reported a profit after tax of ~Rs. 161 crore in H1 FY2027, translating to an annualised return of 3.6% on AMA and 12.3% on average net worth compared to ~Rs. 194 crore, 2.5% and 9.2%, respectively, in FY2026. It continues to report healthy margins (14.8% on AMA in H1 FY2027; 14.2% in FY2026) along with a gradual improvement in its cost of funding. This, along with the decline in credit costs to 3.6% of AMA in H1 FY2027 (4.3% in FY2026) and the improving operating efficiency (8.1% of AMA in H1 FY2027; 8.8% in FY2026), has supported the improvement in the company's earnings profile. While credit costs could exhibit some volatility due to the borrower profile and macroeconomic environment, Aye Finance should benefit from the expected improvement in its operating efficiency and maintain an adequate earnings profile. Further, there is scope for improvement in the company's cost of funding, which should also support its earnings profile.

Credit challenges

Asset quality remains monitorable – The company's reported asset quality has improved with gross stage 3 assets declining to 4.2% as on September 30, 2026 from 4.8% as on March 31, 2026, supported by write-offs and recoveries. Write-offs, as a proportion of gross advances, increased to 4.4% (annualised) in H1 FY2027 from 4.0% in FY2026. As on September 30, 2026, the 30+ days past due (dpd) and 90+ dpd (on AUM) stood at 5.9% and 4.6%, respectively, vis-à-vis 6.1% and 5.0%, respectively, as on March 31, 2026. While x-bucket collection efficiency remained largely stable at 99.2% in H1 FY2027, it declined marginally for bucket-1, though it remained better than the previous year. ICRA takes note of the corrective measures being taken by Aye Finance, including the tightening of customer selection criteria and strengthening of the collections team among others. Nonetheless, the asset quality remains monitorable due to suboptimal rainfall in the country, particularly as the company's borrowers are engaged in agriculture-allied activities in drought-affected areas. However, Aye Finance's geographically diversified operations mitigate the risk to some extent. Nevertheless, its ability to contain slippages and sustainably improve its asset quality remains monitorable.

Marginal borrower profile with susceptibility to income shocks – Aye Finance primarily lends to micro businesses like kiranas/general stores, dairies, manufacturers and traders with an annual turnover of Rs. 10 lakh-1 crore. With an average ticket size of Rs. 1.6-1.9 lakh, hypothecation loans and quasi-mortgage loans comprised 78% of the AUM as on September 30, 2026. Customers in this segment typically have limited credit history and their cash flows could be volatile and highly sensitive to minor business disruptions and external shocks. Given the marginal borrower profile, comprising mostly self-employed customers, and the assessed income-based lending model, the segment remains susceptible to income shocks, which has led

to higher delinquencies and volatility in the asset quality. ICRA notes that the company is gradually scaling up its mortgage loan portfolio and plans to increase its share in the AUM to 25-30% in the near-to-medium term from ~22% as on September 30, 2026.

Environmental and social risks

Environmental considerations- Given the service-oriented nature of its business, Aye Finance's direct exposure to physical climate risk remains limited, although environmental risks could transmit to the company through its loan portfolio. Physical climate events affecting borrowers could result in livelihood and cash-flow disruptions, thereby weakening their repayment capacity and translating into credit risk. The geographically diversified portfolio provides some mitigation against concentration-related climate risks. In addition, with an average loan tenure of around two years, the company has reasonable flexibility to periodically reassess environmental vulnerabilities and calibrate incremental exposures toward borrowers and regions with relatively lower downside risks.

Social considerations- With regard to social risks, data security and customer privacy are among the key sources of vulnerability for Aye Finance as material lapses could be detrimental to their reputation and invite regulatory censure. The company has not faced such lapses over the years, which highlights its sensitivity to such risks. Further, it contributes to promoting financial inclusion by lending to borrowers in underserved areas.

Liquidity position: Adequate

The company's liquidity profile is adequate with unencumbered on-book liquidity of ~Rs. 1,260 crore as on September 30, 2026. This, along with scheduled collections of ~Rs. 2,922 crore till September 30, 2027, is sufficient to meet the scheduled debt obligations of ~Rs. 2,911 crore during this period in a timely manner. The presence of ~Rs. 153 crore of sanctioned unutilised funding lines, as on September 30, 2026, also supports the liquidity profile. As per Aye Finance's asset-liability management (ALM) statement as on September 30, 2026, there were no cumulative mismatches across buckets.

Rating sensitivities

Positive factors – A significant increase in the scale of operations, accompanied by greater product diversification and prudent asset quality, while maintaining a healthy earnings profile could positively impact the rating.

Negative factors – Significant deterioration in the asset quality, thereby impacting the profitability (return on managed assets (RoMA) of less than 2.0%) on a sustained basis, could put pressure on the rating. Continued increase in the managed gearing above 4.0 times or a deterioration in the liquidity profile could also exert pressure on the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Rating Methodology for Non-banking Finance Companies
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Aye Finance 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 through the hypothecation of working assets (77% of AUM as on September 30, 2026) and through mortgage properties (mortgage loans and quasi-mortgage loans constituted 22% and 1% of AUM, respectively, as on September 30, 2026).

The company commenced operations in FY2014 and was founded under the leadership of Mr. Sanjay Sharma, who has experience in retail lending. Aye Finance is backed by private equity investors like Capital G (Google), Elevation Capital, LGT Impact, British International Investments, A91 Partners, ABC Impact (backed by Temasek) and others. As on September 30, 2026, the company had operations in 21 states/Union Territories through 571 branches, managing a portfolio of Rs. 7,597 crore.

Key financial indicators (audited)

Aye Finance Limited	FY2025	FY2026	H1 FY2027*
Accounting as per	Ind-AS	Ind-AS	Ind-AS
Total income	1,501	1,796	1,017
PAT	171	194	161
Total managed assets	6,971	8,551	9,521
Return on managed assets	2.8%	2.5%	3.6%
Managed gearing (times)	3.0	2.2	2.4
Gross stage 3 assets	4.2%	4.8%	4.2%
CRAR	34.9%	42.2%	41.0%

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; *Limited review; Amount in Rs. crore*
Managed gearing = (On-book debt + Off-book portfolio)/Net worth

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2027)			Chronology of rating history for the past 3 years			
		Type	Amount (Rs. crore)	Nov 11, 2026	Date & rating in FY2026	Date & rating in FY2025		Date & rating in FY2024
					Nov 12, 2025	Dec 06, 2024	Oct 04, 2024	May 19, 2023
1	Long-term bank facilities	Long term	650.00	[ICRA]A+ (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	
2	Non-convertible debentures	Long term	400.00	[ICRA]A+ (Stable)	[ICRA]A (Stable)	-	-	-
3	Non-convertible debentures	Long term	-	-	-	-	-	[ICRA]BBB+ (Positive); withdrawn

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term bank facilities	Simple
Non-convertible debenture	Simple

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

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook	Financial sector regulator[#]
NA	**Long-term bank facilities**	NA	NA	NA	650.00	[ICRA]A+ (Stable)	RBI
Yet to be placed	**Non-convertible debenture**	NA	NA	NA	400.00	[ICRA]A+ (Stable)	SEBI

[#]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

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Not applicable

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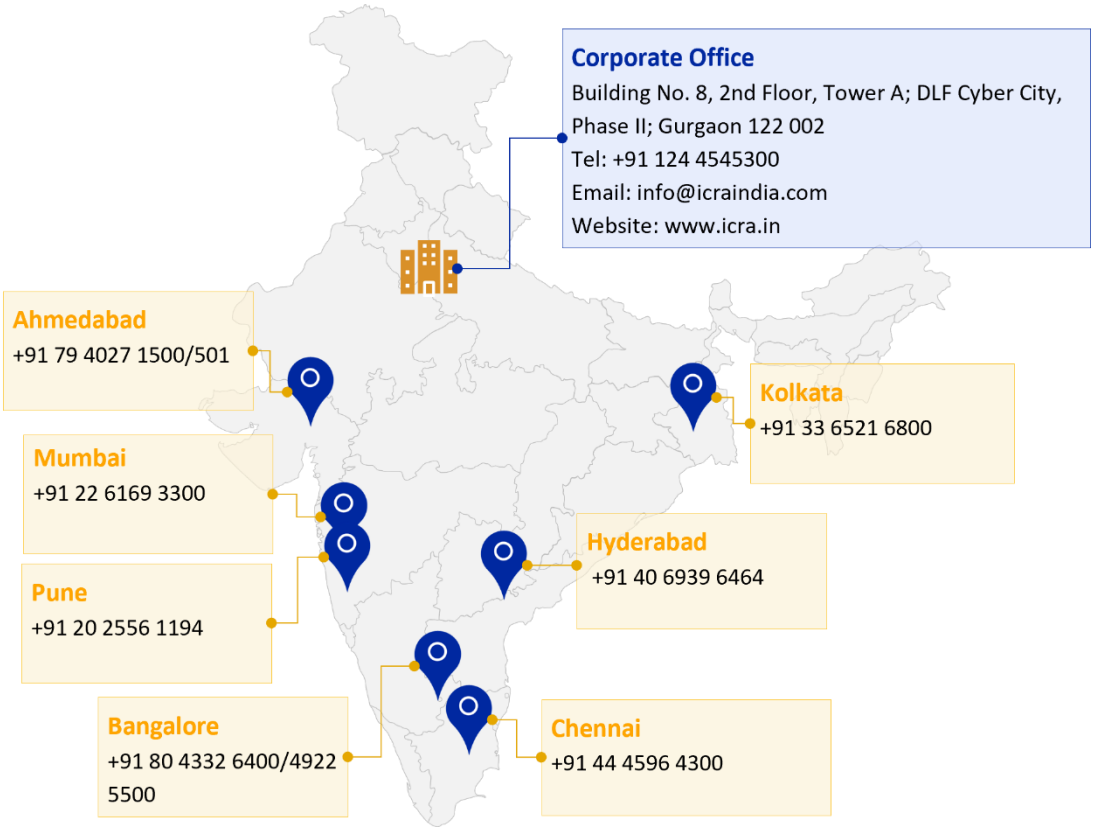
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