BUY

CMP: **INR 179** Target Price: **INR 285** ▲ 59%

ICICI Securities

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14 September 2026

India | Equity Research | Initiating Coverage

Aye Finance

NBFCs

Building a distinct lending model – funding the INR 0.15–0.5mn micro-enterprise space

Aye Finance (Aye) has a formidable presence in India's mass-affluent lending market. Aye is anchored by its niche funding offerings in the INR 0.15mn–0.5mn ticket size segment. Typically, a customer's financial (fund seeking) lifecycle formally begins with microfinance/digital loans (<INR 0.15mn). As the customer's income grows, the need graduates (>INR 0.5mn) to micro-LAP, affordable mortgage and vehicle loans. Yet, a sizeable white space exists in the INR 0.15mn–0.5mn funding bracket. Most of its peers operate either below INR 0.15mn (MFIs/digital lenders) or above INR 0.5mn (S-LAP/AHFC). Aye lays emphasis on bridging this gap. The company's distinct business model is helping propel it as one of the fastest-growing NBFCs (FY20–26 AUM CAGR of ~26%) with improving earnings (2.7% RoA in FY26 vs. 2% in FY23).

Bridging the INR 0.15mn–0.5mn gap

While most competitors approach SME lending with traditional security (immovable property leading to ticket size exceeding INR 0.5mn), Aye focuses on MSE lending with unconventional security (inventory hypothecation keeping ticket sizes aligned with customer requirement). Its unique customer base (NTC customers) at ~37% reflects an under-penetrated micro-enterprise market. The company benefits from a dual advantage of: 1) cherry-picking quality customers; and 2) outpacing systemic credit growth. This dominant position in the INR 0.15–0.5mn ticket size segment is supported by its cluster-based underwriting capabilities – a key competitive moat providing strong pricing power – asset yields sustain at >22% cross cycle.

Improving earning trajectory to continue

We initiative coverage with a **BUY** rating and target price of INR 285, valuing at 2x FY28E P/BV. Notably, Aye is gradually emerging from an asset quality (AQ) cycle and has demonstrated a steady improvement in core earnings in recent quarters. Credit cost has consistently declined from 5% in FY26 to sub-4% in Q1FY27. Spread expanded to 11.6% by Jun'26, from 10.9% in Jun'25, supported by a reduction of >45bps in the Cost of Funds (CoF), alongside an incremental CoF that remains at 10.2% (book cost at 10.8%), which could further support spreads. Driven by enhanced operating efficiency, overall RoE improved to 16% by Q4FY26, from ~9–10% in the past seven quarters.

Financial Summary

Y/E March (INR mn)	FY25A	FY26A	FY27E	FY28E
Net Interest Income	8,580	10,334	13,055	16,387
PAT	1,713	1,936	3,910	5,451
EPS (INR)	9.1	7.9	16.0	22.3
BVPS (INR)	88	104	120	142
P/E (x)	19.7	22.6	11.2	8.0
P/BV (x)	2.0	1.7	1.5	1.3
Gross Stage - 3 (%)	4.2	4.8	4.0	3.5
RoA (%)	3.1	2.7	4.4	4.8
RoE (%)	11.8	9.2	14.3	17.0

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Market Data

Market Cap (INR)	44bn
Market Cap (USD)	462mn
Bloomberg Code	AYE IN
Reuters Code	AYEF.BO
52-week Range (INR)	198 /88
Free Float (%)	40.0
ADTV-3M (mn) (USD)	4.0

Price Performance (%)	3m	6m	12m
Absolute	27.6	64.4	NA
Relative to Sensex	26.4	67.1	NA

ESG Score	2024	2025	Change
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

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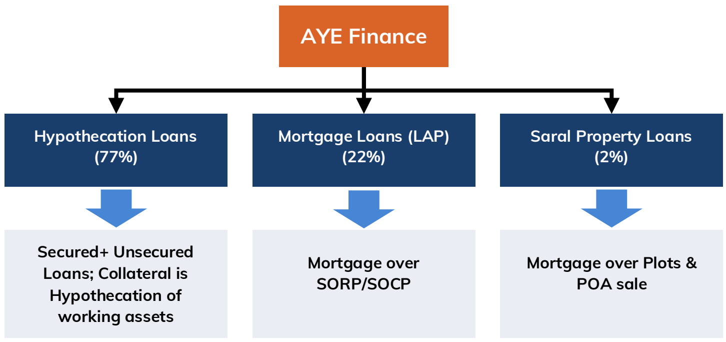
Story in Charts

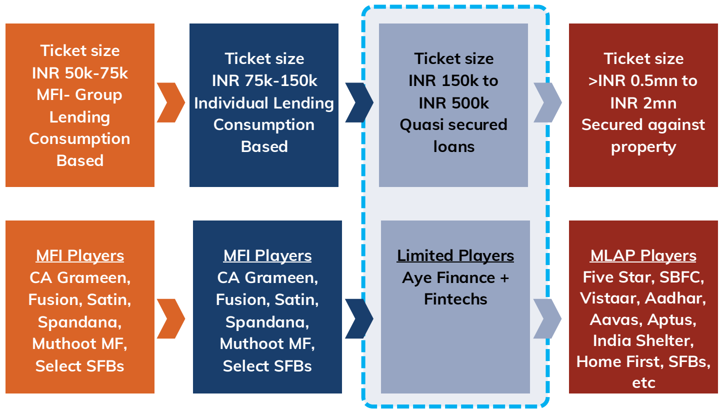
Exhibit 1: Aye has developed a unique business model...



Source: Company data, I-Sec research

Note: % represents AUM Mix share of particular segment as of Jun'26

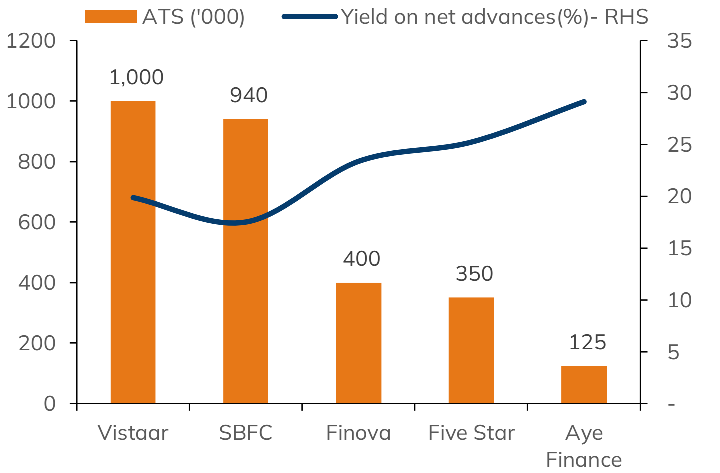
Exhibit 2: ...focusing on bridging the missing middle of MSME lending, with ATS between INR 0.15mn–0.5mn



Source: Company data, I-Sec research

Note: Ticket sizes are indicative

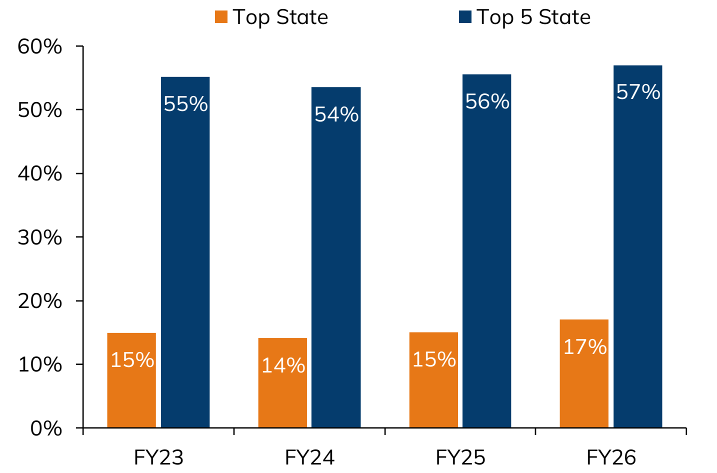
Exhibit 3: Lower ticket size differentiates Aye's customer segment



Source: Company data, I-Sec research, Crisil Intelligence, Aye Finance's RHP

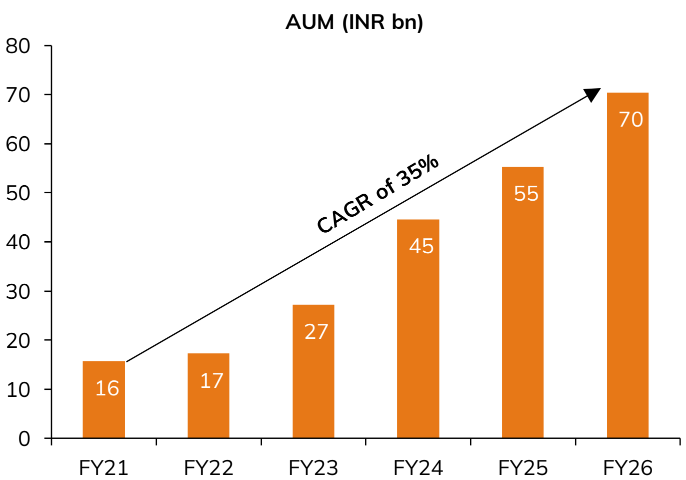
Note: Data for FY25

Exhibit 4: Geographically diversified with no single state accounting for >17% of total AUM



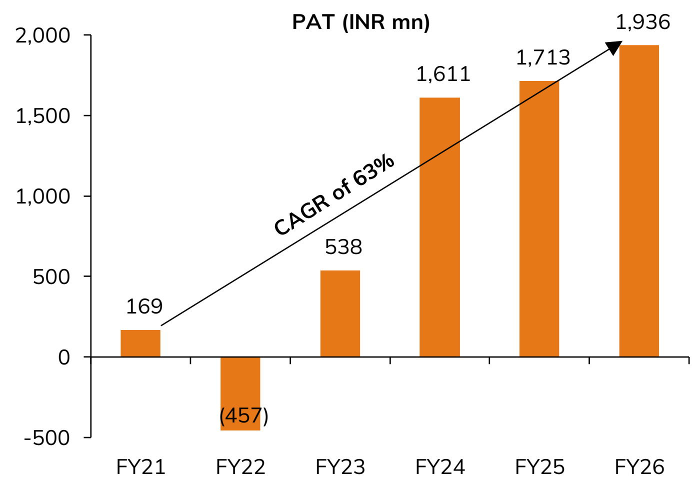
Source: Company data, I-Sec research

Exhibit 5: Fastest growing NBFC with ~35% AUM CAGR over FY21–26....



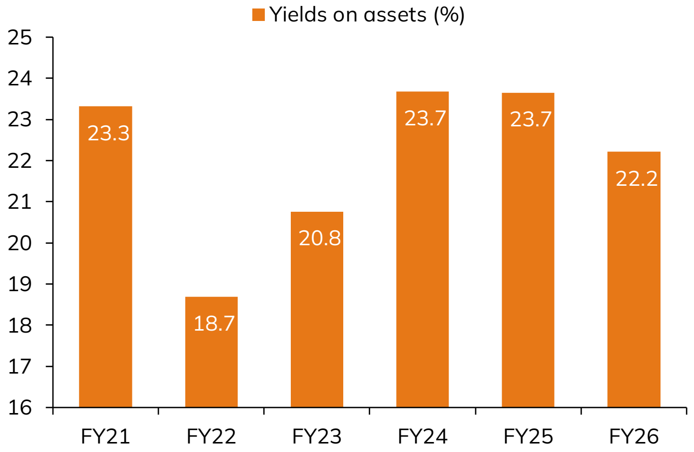
Source: Company data, I-Sec research

Exhibit 6: .... driving a PAT CAGR of >60%



Source: Company data, I-Sec research

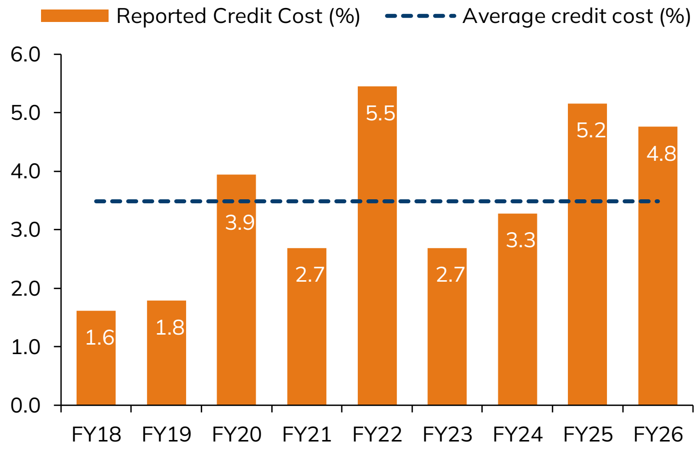
Exhibit 7: Strong pricing power reflects in asset yields sustaining at ~22% despite AUM mix shift



Source: Company data, I-Sec research

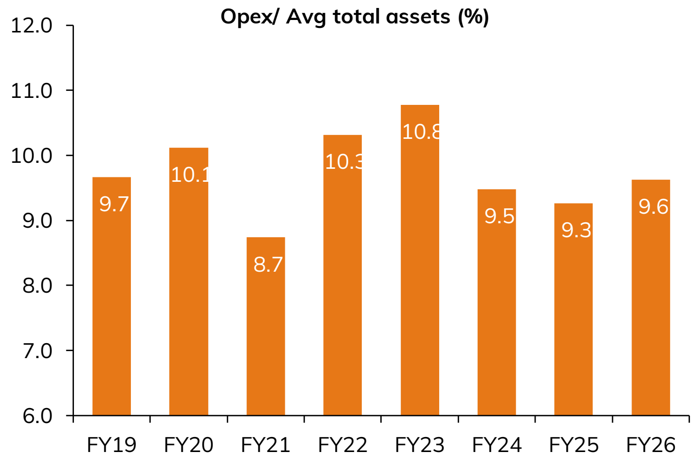
Note: Yields are calculated on average assets

Exhibit 8: Normalised credit cost (except covid years) stands at ~3%, reflects strong portfolio quality



Source: Company data, I-Sec research

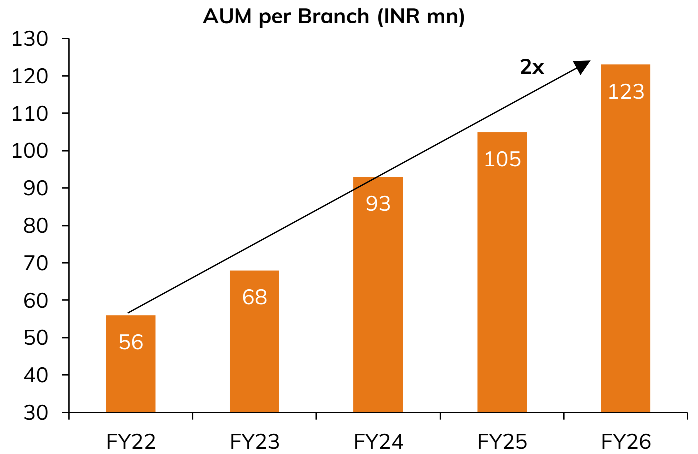
Exhibit 9: Since FY23, cost ratios are moderating steadily and we expect the trend to continue…



Source: Company data, I-Sec research

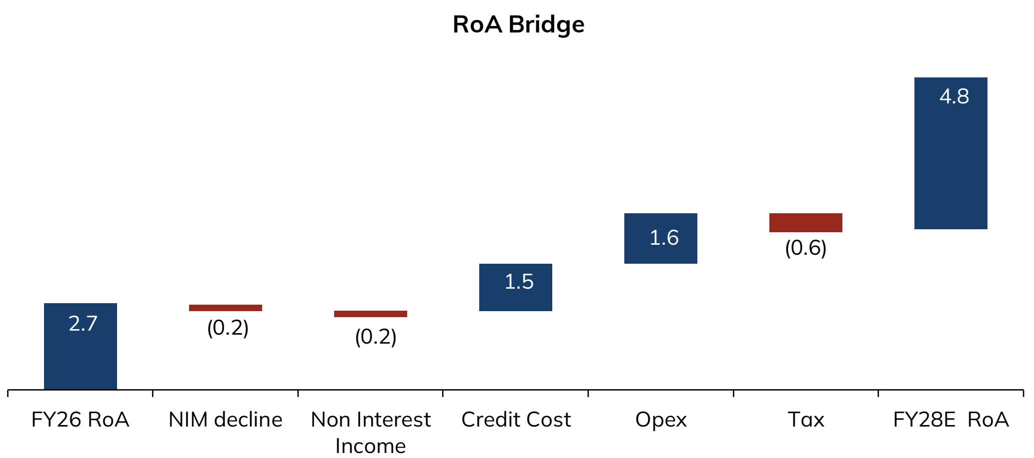
Note: Opex to average total assets is calculated

Exhibit 10: …driven by productivity gains



Source: Company data, I-Sec research

Exhibit 11: Operating efficiency and normalised credit cost to propel FY28E RoA to 4.8%



Source: I-Sec research, Company data

Note: Non-Interest Income is inclusive of Fees and commission, Net gain (loss) on Fair value changes, Net gain on derecognition of financial instruments and other Income; All ratios calculated on average total assets

Valuation overview

Unique business model to command premium

Aye stands out as one of the few NBFCs to have successfully scaled a challenging product segment featuring small ticket size of INR0.15-0.5mn. Driven by a unique cluster-based underwriting model and a robust risk-management, the company's AUM crossed INR 70bn by Mar'26. Its differentiated approach to the micro-enterprise segment incorporates dedicated sales, credit and collection verticals. While this operational structure leads to a higher cost framework, its superior asset risk-pricing – fetching asset yields at >22% – and enhanced AQ controls have helped it navigate multiple stress periods without materially impacting earnings.

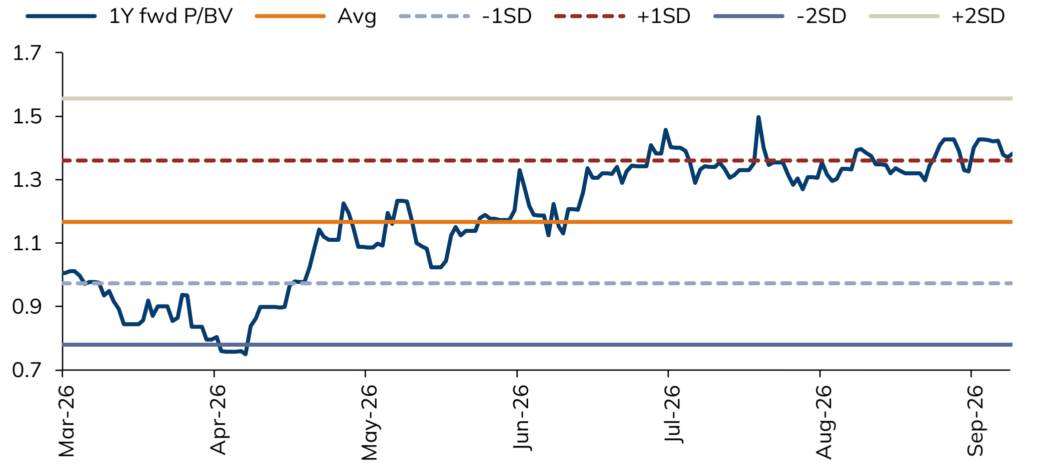
Although there are no direct peer-NBFCs serving a similar customer segment, comparable NBFCs with similar size and profitability typically trade at a P/BV multiple between ~1.5–2x. Given Aye's dominant positioning as an industry leader in the micro-enterprise segment, we believe it could command a premium as a category leader and trade at the higher-end of average multiple of 2x.

Aye's profitability has historically been volatile due to periodic spikes in credit cost, heavy early-stage investment in franchise build-up, and high initial funding cost. However, core PPoP have now stabilised ~5–6% and steady improvement in fee income has supported earnings in recent years. Post-Covid-19, credit costs have consistently remained below 5%, with the exception of FY25 due to borrower-level over-leveraging. This stabilisation demonstrates the robustness of the business model and reinforces our view that Aye is effectively catering to the right market segment, growing stronger and becoming more resilient with each passing year.

Furthermore, the company's ability to pre-empt the business cycle is highly evident – disbursements growth moderated sharply to 9% YoY in FY25 vs. >80% CAGR over FY21–24 – reflecting the efficacy of its early-warning systems. This proactive approach resulted in AUM growth moderating to 24% YoY in FY25 vs. 64% in FY24, while credit cost rose to >5% in FY25 vs. 3.3% in FY24. However, management immediately responded with corrective measures like – strengthening the collection team to 850–900 in FY25–26, from 400 earlier, and tightening credit filters (approval rate reduced to 45% in FY25 vs. 55% earlier). These measures successfully contained forward flows, as evidenced by bucket-1 collections improving to 55% by Q1FY27, from 37% in Q3FY25, which brought down credit cost to 4% by Q1FY27, from >6% in Q3FY25.

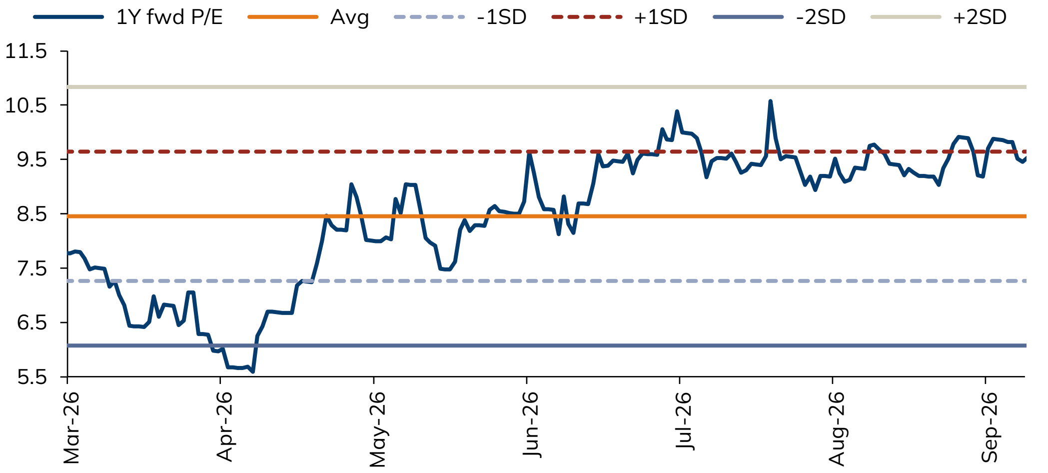
With stress subsiding in FY26, disbursement growth recovered to 20% YoY, driving an acceleration in AUM growth to 27% YoY. The operational turnaround was significantly sharper in H2FY26, as evidenced in RoE improving to 16% in Q4FY26. Ahead, we expect the strong business momentum to sustain, further supported by easing customer over-leveraging. We model ~27%/68% AUM/PAT CAGRs over FY26–28E and project RoE to settle at ~17% by FY28E. We initiate with **BUY** and a target price of INR 285, valuing the stock at 2x P/BV on FY28E BVPS

Exhibit 12: Trading at ~1.4x P/BV one-year forward



Source: Company data, Bloomberg, I-Sec research

Exhibit 13: P/E ratio at ~10x, one-year forward, leaving scope for re-rating



Source: Company data, Bloomberg, I-Sec research

Exhibit 14: NBFC valuation sheet

NSE Symbol	CMP (adj for subs)	Rating	P/E (x)			P/BV (x)			EPS (INR)		
			FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
Small finance banks											
EQUITASBNK	73	BUY	36	14	8	1.3	1.2	1.0	2	5	9
JSFB	517	BUY	11	7	9	1.2	1.0	0.9	45	79	60
UJJIVANSFB	66	BUY	21	14	8	2.0	1.7	1.3	3	5	8
Vehicle financiers											
CHOLAFIN	1,846	ADD	30	24	19	5.2	4.2	3.5	62	78	98
M&MFIN	356	BUY	19	17	13	2.0	1.8	1.6	18	21	27
SHRIRAMFIN	1,029	BUY	20	17	14	2.9	2.0	1.8	51	59	71
Housing financiers - Affordable											
AADHARHFC	457	BUY	18	15	12	2.6	2.2	1.9	25	30	38
AAVAS	1,275	BUY	15	13	11	2.0	1.7	1.5	83	97	119
APTUS	249	BUY	13	11	9	2.5	2.1	1.7	19	22	27
HOMEFIRST	1,185	BUY	23	17	14	2.8	2.4	2.1	52	68	84
INDIASHLTR	652	BUY	14	11	9	2.2	1.9	1.5	46	57	71
Housing financiers - Prime											
BAJAJHFL	84	BUY	27	24	21	3.1	2.8	2.4	3	3	4
LICHSGFIN	563	HOLD	6	5	5	0.8	0.7	0.6	100	111	125
PNBHOUSING	1,179	BUY	14	14	12	1.6	1.4	1.3	84	86	102

NSE Symbol	CMP (adj for subs)	Rating	P/E (x)			P/BV (x)			EPS (INR)		
			FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
Diversified financiers											
ABCAPITAL	256	BUY	22	17	12	3.4	2.5	2.1	12	15	21
BAJFINANCE	920	BUY	32	26	20	5.5	4.7	3.8	29	36	46
LTF	309	BUY	25	22	17	2.8	2.5	2.2	12	14	18
HDBFS	669	BUY	21	17	14	2.6	2.3	2.0	32	40	49
POONAWALLA	445	BUY	68	27	21	3.5	2.7	2.4	7	16	22
PIRAMALFIN	2,256	BUY	34	23	15	1.8	1.7	1.5	67	100	154
MSME											
AYE	**179**	**BUY**	**23**	**11**	**8**	**1.7**	**1.5**	**1.3**	**8**	**16**	**22**
NORTHARC	305	BUY	12	9	7	1.3	1.1	1.0	25	35	45
FEDFINA	159	BUY	16	12	9	2.0	1.7	1.5	10	13	17
FIVESTAR	551	BUY	13	11	10	2.2	1.9	1.6	42	51	57
SBFC	98	BUY	25	19	16	2.9	2.5	2.2	4	5	6
Microfinance											
CREDITACC	1,424	BUY	28	15	10	3.1	2.4	1.9	52	96	143
FUSION	190	BUY	91	29	5	1.2	1.1	0.9	2	7	41
Power financiers											
PFC	213	BUY	4	4	3	0.7	0.6	0.5	61	58	62
RECLTD	313	ADD	5	5	5	1.0	0.9	0.8	62	63	69

NSE Symbol	CMP (adj for subs)	BV (INR)			RoAA (%)			RoAE (%)		
		FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
Small finance banks										
EQUITASBNK	73	55	60	70	0.4	0.9	1.4	4	9	14
JSFB	517	437	516	546	1.1	1.7	1.0	11	17	12
UJJIVANSFB	66	34	38	50	1.2	1.5	2.0	9	12	17
Vehicle financiers										
CHOLAFIN	1,846	357	435	535	2.3	2.5	2.6	19	20	20
M&MFIN	356	178	198	220	2.0	2.1	2.1	12	13	13
SHRIRAMFIN	1,029	349	513	574	3.3	4.3	4.1	16	13	13
Housing financiers - Affordable										
AADHARHFC	457	173	203	242	4.3	4.4	4.5	16	16	17
AAVAS	1,275	637	734	853	3.3	3.3	3.5	14	14	15
APTUS	249	101	121	143	7.8	7.8	7.6	20	20	20
HOMEFIRST	1,185	418	486	570	3.9	4.2	4.2	16	15	16
INDIASHLTR	652	294	351	422	5.8	5.7	5.7	17	18	18
Housing financiers - Prime										
BAJAJHFL	84	27	31	35	2.2	2.1	2.0	12	12	13
LICHSGFIN	563	750	862	987	1.7	1.8	1.9	14	14	13
PNBHOUSING	1,179	738	831	933	2.6	2.4	2.2	13	12	12
Diversified financiers										
ABCAPITAL	256	75	101	122	1.9	2.1	2.4	11	12	14
BAJFINANCE	920	166	198	240	4.5	4.9	5.0	19	21	21
LTF	309	112	124	139	2.3	2.4	2.5	11	13	14
HDBFS	669	260	289	338	2.2	2.5	2.6	14	15	16
POONAWALLA	445	128	163	184	1.1	2.0	2.0	6	11	12
PIRAMALFIN	2,256	1,247	1,347	1,501	1.5	1.9	2.4	5	8	11
MSME										
AYE	**179**	**104**	**120**	**142**	**2.7**	**4.4**	**4.8**	**9**	**14**	**17**
NORTHARC	305	241	274	317	2.7	2.9	3.1	11	13	14
FEDFINA	159	78	91	108	2.3	2.6	2.8	13	15	17
FIVESTAR	551	250	295	352	7.3	7.4	7.7	16	16	18
SBFC	98	34	39	45	4.6	4.4	4.3	13	14	14
Microfinance										
CREDITACC	1,424	465	590	733	2.6	5.6	5.2	11	24	22
FUSION	190	152	180	221	0.2	4.9	5.7	1	17	20
Power financiers										
PFC	213	311	354	399	3.4	3.0	2.8	21	17	16
RECLTD	313	320	366	416	2.6	2.5	2.5	20	18	18

Source: Company data, Bloomberg, NSE, I-Sec research

Note: Price data as of 11TH Sep 2026; CMP is adjusted for subsidiary values if any

Our thesis in a nutshell

Unique positioning – bridging the missing middle of MSME lending

India has over 63.40mn MSMEs, of which 63mn MSMEs are classified as micro enterprises.
(Source: CRISIL Report)

MSMEs in India contribute ~29.2% to the national GDP and face a substantial unmet credit demand estimated at INR 103trn.
(Source: CRISIL Report)

Further, only 25% of the unmet credit is met through formal financing.
(Source: CRISIL Report)

India's micro-enterprise lending market has historically been served at two distinct ends, leaving a sizeable gap in the middle. NBFC-MFIs typically offer INR 50–75k loans under the JLG model. At the other end, micro-LAP lenders typically offer INR 0.5–2mn loans against registered mortgages. While many lenders are actively trying to build a business model, such as fintechs and gold financiers, to fund the major gap (INR 0.1mn–0.5mn).

Aye positions itself precisely within this credit gap, where few formal lenders operate. It caters to micro enterprises with an annual turnover of INR 3–10mn and typical working-capital requirements of ~INR 0.15mn–0.5mn – a segment that has faced limited access to formal credit.

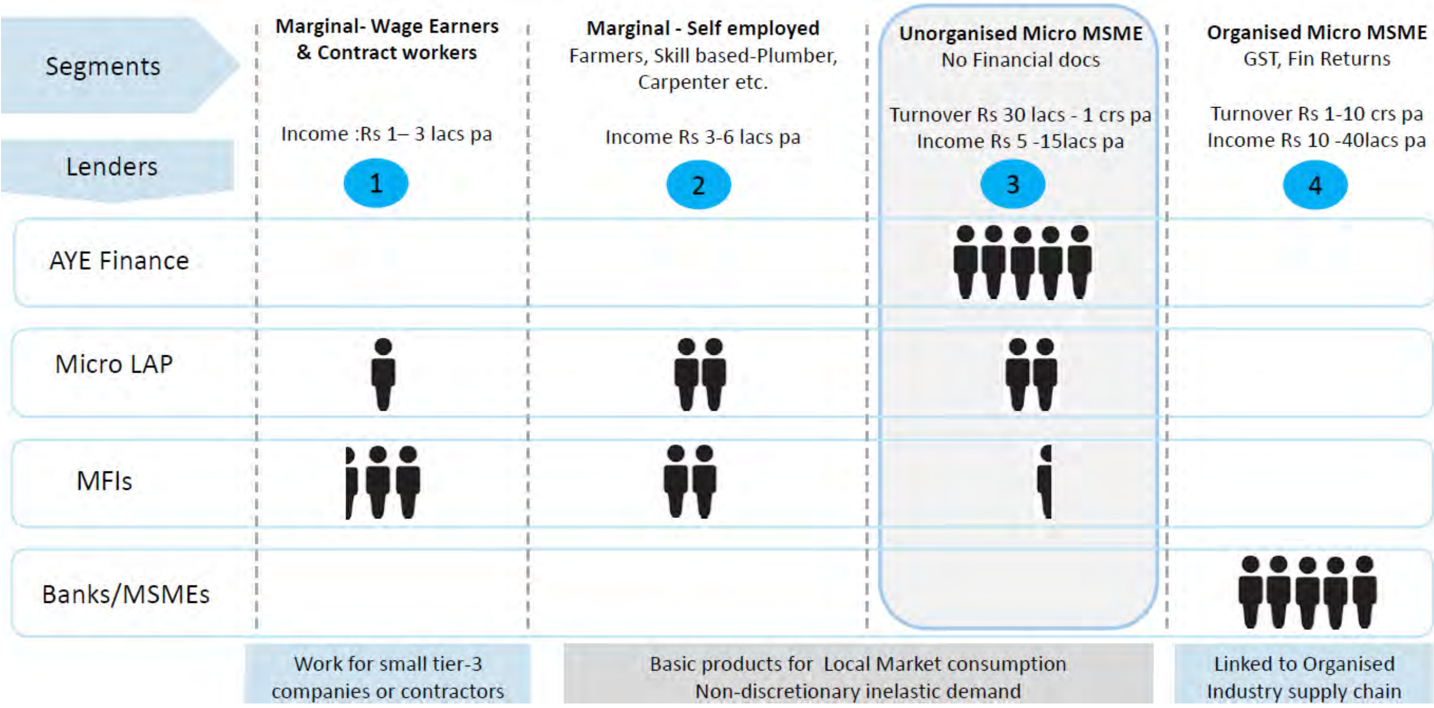
Why we believe Aye will likely continue to grow swiftly –

- **Limited competition:** We believe this gap is structural, driven by the unit economics of adjacent lenders. For MFIs, an ~INR 0.15mn ticket does not fit well within the regulatory and group-liability framework underpinning the delivery model. For micro-LAP lenders, legal, technical and valuation costs associated with creating a registered mortgage, make such small-ticket loans relatively uneconomical. The same origination infrastructure can support a materially larger LAP ticket size. Thus, Aye is broadly sitting in the middle to provide a financial solution to unorganised MSME segment with average ticket size of ~INR 0.15mn, wherein competition intensity is low (**Exhibits 15 and 17**). New-to-credit customers, at ~37%, reflect huge white space.
- **Low-ticket income generation loans:** Typically, low-ticket loan are majorly for consumption purpose; however, Aye's differentiation lies in providing low-ticket business loans with focus on underwriting the business rather than the customer. Its cluster-based underwriting model estimates business turnover and cash flows using operating parameters such as inventory, machinery, production capacity, shop density and location. Built over more than a decade across 70+ industry clusters, this enables Aye to originate and price ~INR 0.15mn loans economically.
- **Underwiring acts as a key entry barrier:** Aye's analysis of its customer data further highlights that >95% of its customers own residential or commercial property, yet <1% have a mortgage loan from another lender. This suggests that property ownership itself is not sufficient to access formal credit. Aye's key moat lies in its capabilities to underwrite such customers based on their cash-flow, which most lenders have been refraining from, opting instead to address this credit gap via digital loans or gold loans. Only ~10–12% of customers have gold loans, indicating that borrowers have historically relied on alternative forms of secured credit for liquidity requirements.

Management highlighted that there is 'almost no alternate supplier' in hypothecation lending, unlike mortgage lending where competitive intensity is significantly higher. This is reflected in yields of ~27.5–28% in hypothecation vs. ~23.5% in mortgage. Aye's blended portfolio yield of ~22.4%, consequently, remains above MLAP/AHFCs peers and closer to MFI yields, while operating outside the traditional JLG lending construct; and more importantly, all loans are for income-generation purpose.

"AYE is not simply another small-ticket lender; it has developed a unique underwriting model specifically for a ticket size/customer segment that traditional lender avoids. Providing hypothecation loans in this niche is structurally uneconomical for both MFIs and MLAP/ AHFCs players."

Exhibit 15: Aye's unique positioning – focused on unorganised micro-MSMEs



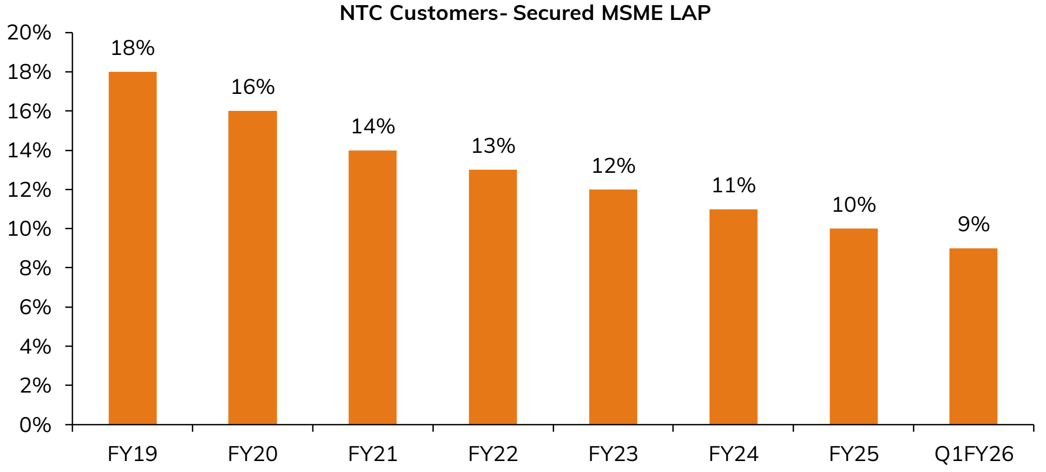
Source: Company data

Note: Count of tally marks indicatively represents % of business generated from respective segment

Amongst few lenders catering to low-ticket micro-enterprise segment; new-to-credit share is highest among NBFCs

Aye sources over a third of its customers from outside the formal credit system, ~4x the secured MSME industry rate**.** As of Sep'25, ~37% of Aye's total advances, were new to credit customer vs. ~9% NTC customers in secured MSME (LAP) for the industry. The industry's NTC share has declined from 18% in FY19 to 9% in Q1FY26, reflecting increasing competition for customers with established bureau histories, while Aye continues to source more than a third of its customers within the MSME segment. This highlights Aye's differentiated positioning in an underpenetrated customer segment.

Exhibit 16: Declining new-to-credit customers mix in MSME secured (LAP) reflects deeper market penetration



Source: CIBIL, Crisil Intelligence

Strong pricing power

Aye's target customers belong primarily to the informal, self-employed segment. This demographic often lacks a formal credit history due to informal income documentation, a lack of GST records and minimal usable banking data – underwriting them through conventional lending models remains a significant challenge.

In the absence of formal credit, these customers traditionally rely on informal sources – such as moneylenders, chit funds and personal sources – where borrowing costs typically range between 36–60% p.a.

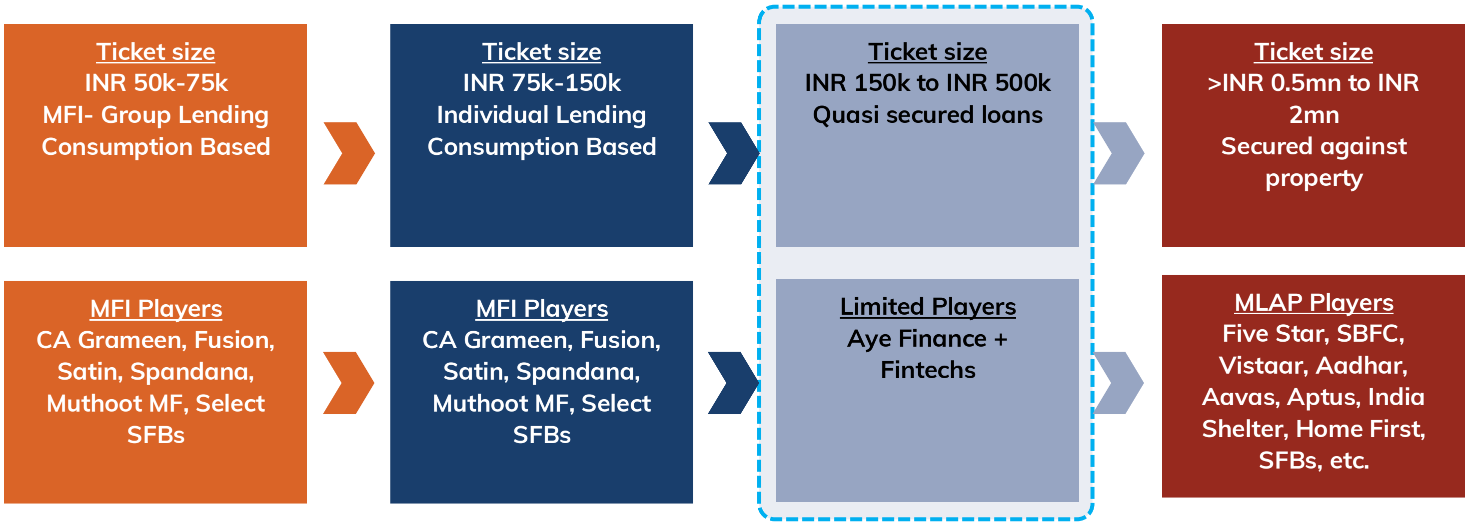
Aye has strategically focused on this underserved customer segment using a unique, proprietary underwriting model. This approach enables the company to fetch yields between ~27.5–28%. The limited availability of formal lending options in this segment continues to serve as a key structural driver of Aye's yields.

Aye addresses this underserved market by offering a ticket size between ~INR 150k-500k, effectively positioning itself between MFI and MLAP. To illustrate the customer lifecycle, we have mapped out how a customer graduates through their financial lifecycle in **Exhibit 17**.

- **Phase-1 – microfinance loans:** This stage represents the start of a formal financial lifecycle. Borrowers typically transition from informal funding sources (usually seeking amounts under INR50k) to formal credit through microfinance loans. These loans are largely unsecured, consumption-oriented, and predominantly extended to women.
- **Phase-2 – individual loans:** As borrower establish a repayment track record, they graduate to individual loans. These loans are mostly offered by NBFC-MFIs, with ticket sizes ranging from ~INR 75-150k. However, as the borrower's business grows, its requirements increasingly exceed the ticket size available through MFI lending.

- **Phase-3 – business loans (Aye's sweet spot)**: In this phase, borrowers now require a relatively higher ticket loan to fund working capital and business expansion, yet they remain too small for traditional secured lending. This creates a structural financing gap within the INR 150-500k segment. AYE specifically targets these customers by using working-asset hypothecation and cluster-based underwriting to provide quasi-secured credit without requiring property collateral.
- **Phase-4 – secured business loans with higher ticket size:** Driven by further business growth and a larger funding requirement, borrowers eventually graduate to secured MSME/MLAP, typically with ticket sizes of INR 0.5–2mn and backed by property collateral. This segment is served by a significantly broader set of formal lenders, including AHFCs, MSME players and select SFBs.

Exhibit 17: Customer product lifecycle – Aye's strategic positioning in the underserved MSME segment



Source: Company data, I-Sec research

While the MFI segment has several established players, including CreditAccess Grameen, Fusion, Satin, Spandana, Muthoot Microfin and select SFBs and similarly the MLAP segment has players such as Five-Star, SBFC, Aavas and Aptus, competition remains relatively limited in the INR 150k–500k quasi-secured segment.

Only Aye and fintech players like moneybox and Z-first operate in this segment. Aye's ability to underwrite borrowers with limited formal documentation while securing loans against working assets enables it to operate in a segment that remains difficult for conventional lenders to serve profitably.

Exhibit 18: Aye vs. fintechs

AYE Finance

- Mandatory field visits and on-ground business verification for sourcing
- Cluster based underwriting with > 70 business clusters identified and analyzed
- On ground engagement is solid helping for faster collections

Fintechs

- End to End digital process with limited physical verification
- Underwriting is generally backed by data driven models and not cluster specific / business specific
- Better suited to borrowers with a stronger digital / financial footprint

Source: Company data, I-Sec research

Segregated sales, credit and collection verticals, differentiates Aye's model from traditional microfinance

Aye is often bracketed with MFI given its small ticket sizes, rural/semi-urban presence and branch-led field model. We believe the comparison misses fundamental differences in customer profile, underwriting, end-use and collections, which ultimately translate into a different risk-return profile. A few distinctions between MFI and Aye are highlighted below and also have summarised in **Exhibit 19.**

- Customer profile for microfinance is predominantly women usually under the JLG model where end-use is mostly consumption, whereas for Aye underwriting is centred on the enterprise/business, and not at the customer level. Aye lends to individual business owners – predominantly men who are operating manufacturing, trading, services and allied-agriculture enterprises, typically with annual turnover of INR 2–10mn and at least two years of business operational history.
- Unlike the JLG model, there is no group liability, centre meeting or group guarantee. Each borrower undergoes a physical assessment of the business by both a loan officer and a credit officer, with underwriting based on the enterprise's operating cash flows and business characteristics.
- End-use is explicitly linked to income generation, with post-disbursement verification. Loans are used for working capital or business expansion, rather than consumption, and a vigilance team revisits the borrower within 45 days of disbursement to verify deployment towards the stated purpose. This discipline keeps repayment linked to business cash flows rather than household income.

Collections are aligned to the productive asset being financed. Aye's majority book is quasi, secured through hypothecation of business assets, while the balance mortgage book is secured through property. While hypothecation collateral may appear weak from a conventional enforcement perspective, Aye's bureau analysis suggests that the business-linked nature of the loan creates strong repayment incentives.

Exhibit 19: MFI vs. Aye

Particulars	MFI players	Aye
Borrower	Predominantly women	Predominantly men
Product feature	Term loan but with joint-liability	Term loan - no joint liability
Security	Unsecured loans	Secured by hypothecation of assets
End use	Consumption	Income generation - working capital loan
ATS	INR 50-75k	INR 160k for hypothecation loans

Source: I-Sec research, Company data

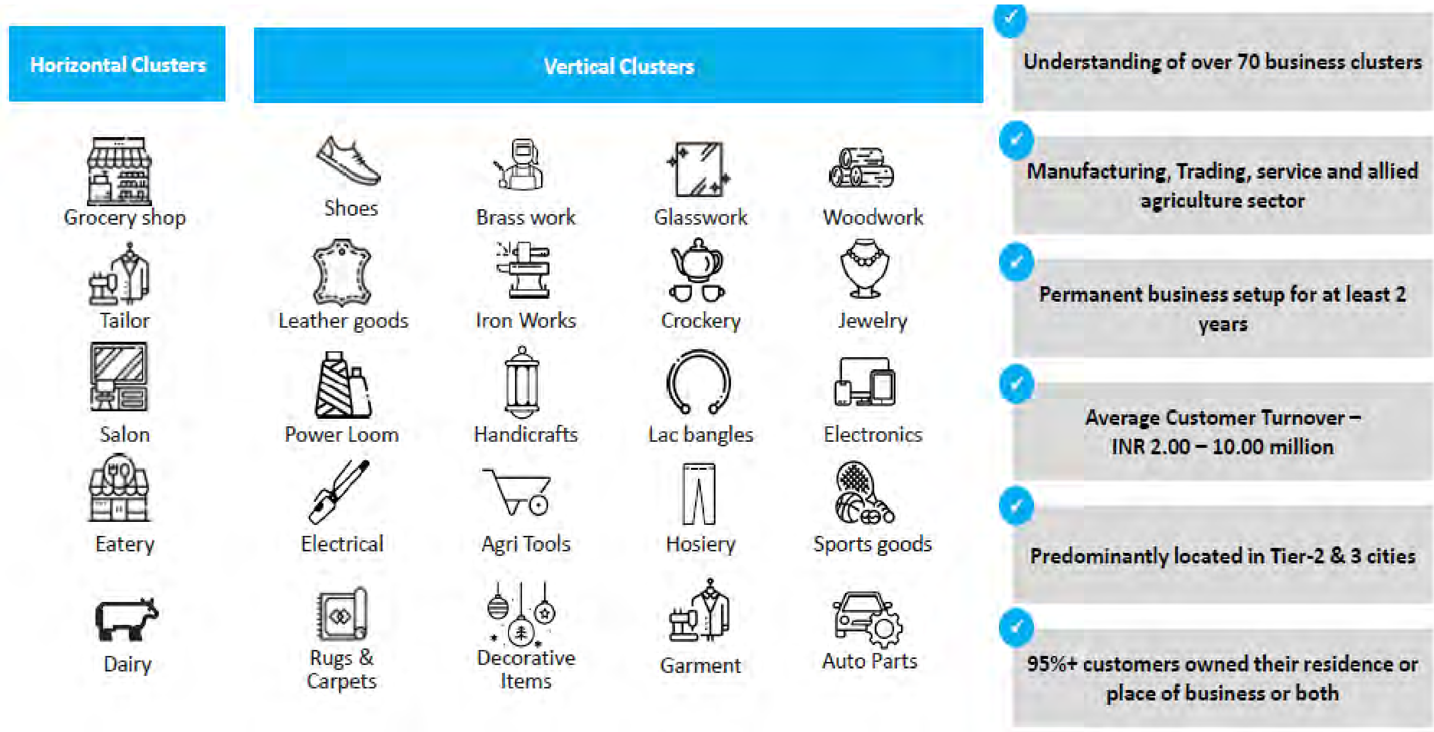
Cluster-based underwriting is Aye's key differentiator

Aye's thesis ultimately rests on the quality of its cluster-based underwriting. If this capability is not genuinely differentiated, Aye risks being viewed simply as a high-yield lender with correspondingly high credit costs.

Aye underwrites the business through its operating signature rather than financial documentation. Its target customers typically maintain limited formal books, have no GST filings and often lack usable banking data; management estimates that only 10-20% of transaction volumes of these customers flow through UPI. Aye, therefore, estimates turnover, margins and cash flows using observable business parameters such as inventory, machinery, production capacity, shop density and location, benchmarked against a proprietary database covering >70 business clusters.

The clusters span both horizontal businesses across geographies and vertical businesses within specific geographies. This enables field officers to assess the economics of a business based on parameters such as machinery capacity, store characteristics or herd size, even in the absence of formal financial statements.

Exhibit 20: Cluster based underwriting – a key competitive moat with a proprietary database covering >70 business clusters



Source: I-Sec research, Company data

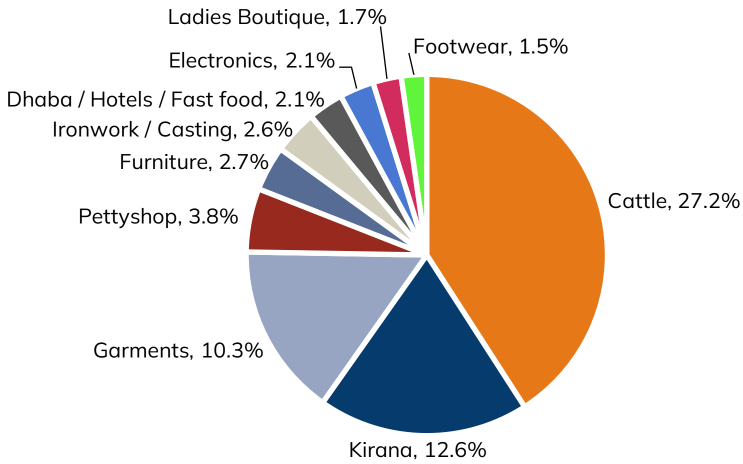
Three positives that give comfort for cluster-based underwriting in this segment

- First, the cluster database represents more than a decade of accumulated data across >1mn disbursed loans, creating a proprietary data asset that cannot easily be replicated by simply deploying a conventional credit model.
- Second, technology is increasingly augmenting, rather than replacing, field-level judgement. ~24% of the loans originated as of Sep' 25 (excluding allied agriculture) were supported by data-science assessment models, while Aye has also piloted a multimodal LLM to estimate monthly sales from store photographs and operating attributes.
- Third, the analytics layer is paired with a 100% in-house sourcing and physical assessment model, with no DSAs/connectors, allowing tighter control over KYC, fraud and underwriting consistency. Misleading/erroneous information is identified in <1% of the cases.

Importantly, underwriting has been used as a risk throttle, rather than simply a growth engine. Aye reduced approval rates from ~55% of logged-in applications to ~45% during the FY25 over-lending cycle and has maintained the tighter threshold. The key counterpoint is cluster concentration. Cattle and allied agriculture, Kirana and garments account for 27.2%, 12.6% and 10.3% of AUM, respectively; implying that the top-three clusters constitute ~50% of the portfolio, as of Sep'25 (**Exhibit 21**). This remains a key risk and warrants monitoring; however, management has highlighted that cluster concentration is also restricted specifically geography-wise or branch-wise, which results in minimal disruption in AQ.

Proprietary cluster data + field-level judgement + physical verification + disciplined approval rates result into stronger underwriting for Aye.

Exhibit 21: Cattle, kirana and garments account for ~50% of total share in AUM



Source: I-Sec research, Company data

Note: Cluster wise AUM share as of Sep'25

Differentiated business model to ensure industry-leading PAT and AUM growth over FY26–28E

Aye stands out as one of the strongest growth stories in our NBFC coverage universe. The company is compounding both AUM and PAT at a materially faster pace than most of its peers. Over FY23–26, Aye delivered 37% AUM CAGR, ranking it among the top players in our coverage universe. Meanwhile, its PAT expanded at a 53% CAGR – the highest among NBFCs in our universe (**Exhibit 22)**. Ahead, we model ~27% AUM CAGR and a much sharper PAT CAGR of 68% over FY26–28E. Aye is well positioned in the underpenetrated micro-enterprise lending segment. This positioning is underpinned by its expanding branch network and data-led underwriting, which provides ample room to scale without materially altering its core customer proposition.

The combination of >25% AUM growth, >150bps reduction in operating expenses and the normalisation of credit costs (expected to drop to ~3.25% by FY28 vs. currently 4%) could significantly lift its earnings trajectory. In our view, this makes Aye's >50% PAT CAGR the key differentiator among its peer set. With Aye's estimated AUM CAGR also projected to be the highest among MSME peers, we see the company offering a rare combination of category whitespace, sustained balance-sheet compounding and significant earnings trajectory.

Exhibit 22: AUM/PAT CAGR for NBFCs under our coverage – Aye leads the curve

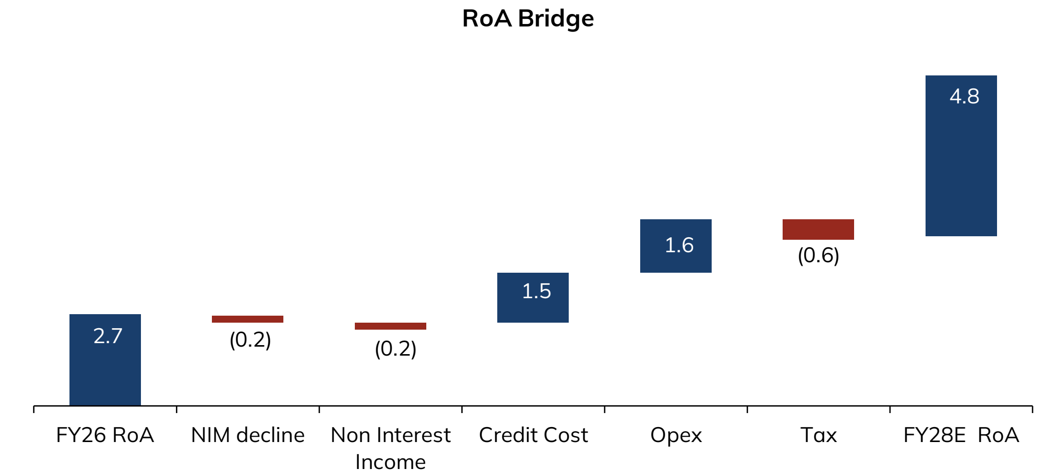
Particulars	AUM (Mar'26) INR bn	AUM CAGR		PAT CAGR		ROA			ROE		
		FY23-26	FY26-28E	FY23-26	FY26-28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
Vehicle financiers											
CHOLAFIN	2,243	28.2%	22.4%	25.1%	26.6%	2.3%	2.5%	2.6%	19.3%	19.8%	20.2%
M&MFIN	1,341	17.4%	14.7%	11.9%	15.8%	2.0%	2.1%	2.1%	12.5%	12.7%	12.9%
SHRIRAMFIN	3,023	17.6%	15.8%	18.5%	29.6%	3.3%	4.3%	4.1%	16.4%	13.2%	13.1%
Housing financiers – Affordable											
AADHARHFC	306	21.1%	21.5%	26.2%	23.7%	4.3%	4.4%	4.5%	15.8%	16.1%	17.3%
AAVAS	235	18.3%	19.1%	15.0%	20.1%	3.3%	3.3%	3.5%	13.9%	14.1%	15.0%
APTUS	131	24.8%	21.9%	23.3%	18.8%	7.8%	7.8%	7.6%	20.1%	20.0%	20.1%
HOMEFIRST	159	30.2%	25.6%	33.3%	27.5%	3.9%	4.2%	4.2%	15.7%	15.1%	16.0%
INDIASHLTR	110	36.3%	25.9%	48.0%	24.3%	5.8%	5.7%	5.7%	17.0%	17.7%	18.5%
Housing financiers – Prime											
BAJAJHFL	1,407	26.7%	21.7%	26.7%	15.4%	2.2%	2.1%	2.0%	12.1%	12.2%	12.6%
LICHSGFIN	3,207	5.3%	7.5%	24.6%	10.4%	1.7%	1.8%	1.9%	14.4%	13.8%	13.4%
PNBHOUSING	909	10.9%	17.2%	29.9%	7.6%	2.6%	2.4%	2.2%	12.7%	12.0%	11.5%
Diversified financiers											
ABCAPITAL	1,599	25.7%	25.6%	24.5%	36.4%	1.9%	2.1%	2.4%	11.1%	12.4%	14.1%
BAJFINANCE	3,730	28.2%	24.3%	20.0%	26.5%	4.5%	4.9%	5.0%	18.6%	20.5%	21.0%
LTF	1,217	21.9%	24.3%	15.1%	23.8%	2.3%	2.4%	2.5%	11.1%	12.8%	13.9%
HDBFS	1,185	19.2%	18.6%	9.1%	26.4%	2.2%	2.5%	2.6%	13.9%	14.9%	15.6%
POONAWALLA	603	55.2%	32.6%	-1.2%	86.9%	1.1%	2.0%	2.0%	5.8%	11.3%	12.5%
PIRAMALFIN	1,012	16.5%	23.4%	-46.7%	52.0%	1.5%	1.9%	2.4%	5.4%	7.7%	10.8%
MSME											
NORTHARC	166	22.6%	22.1%	18.5%	30.0%	2.7%	2.9%	3.1%	11.0%	12.8%	14.3%
FEDFINA	202	30.5%	27.2%	24.0%	35.2%	2.3%	2.6%	2.8%	12.6%	15.3%	16.8%
FIVESTAR	132	24.1%	22.9%	22.1%	23.6%	7.3%	7.4%	7.7%	16.1%	16.2%	17.6%
SBFC	113	31.6%	26.6%	44.5%	20.8%	4.6%	4.4%	4.3%	13.1%	13.7%	14.3%
AYE	**70**	**37.3%**	**26.7%**	**53.3%**	**67.8%**	**2.7%**	**4.4%**	**4.8%**	**9.2%**	**14.3%**	**17.0%**
Microfinance											
CREDITACC	295	12.0%	24.4%	-2.0%	71.6%	2.6%	5.6%	5.2%	10.8%	23.6%	21.6%
FUSION	73	-7.6%	33.5%	-67.1%	589.4%	0.2%	4.9%	5.7%	0.7%	16.8%	20.3%

Source: Company data, I-Sec research

We believe Aye could deliver meaningful improvement in RoA, despite the expected NIM compression, largely driven by a change in product mix and increasing leverage, as the decline in margins could be more than offset by improving credit costs and operating leverage. Our bridge indicates that over FY26–28E, an ~20bps decline in margins and ~20bps decline in non-interest income could be more than offset by an ~150bps improvement in credit costs and ~160bps benefit from operating leverage, resulting in calculated RoA improving from ~2.7% in FY26 to ~4.8% in FY28E. This would likely provide strong earnings operating leverage as the business scales, supporting the structural PAT growth story.

Importantly, Aye has demonstrated its ability to deliver ~4% RoA in FY24, even with opex at >9% of assets. With opex and credit costs now trending lower, we believe RoA could sustainably exceed 4%, and the company appears to be on track to achieve this level.

Exhibit 23: Operating efficiency and normalised credit cost to propel FY28E RoA to 4.8%



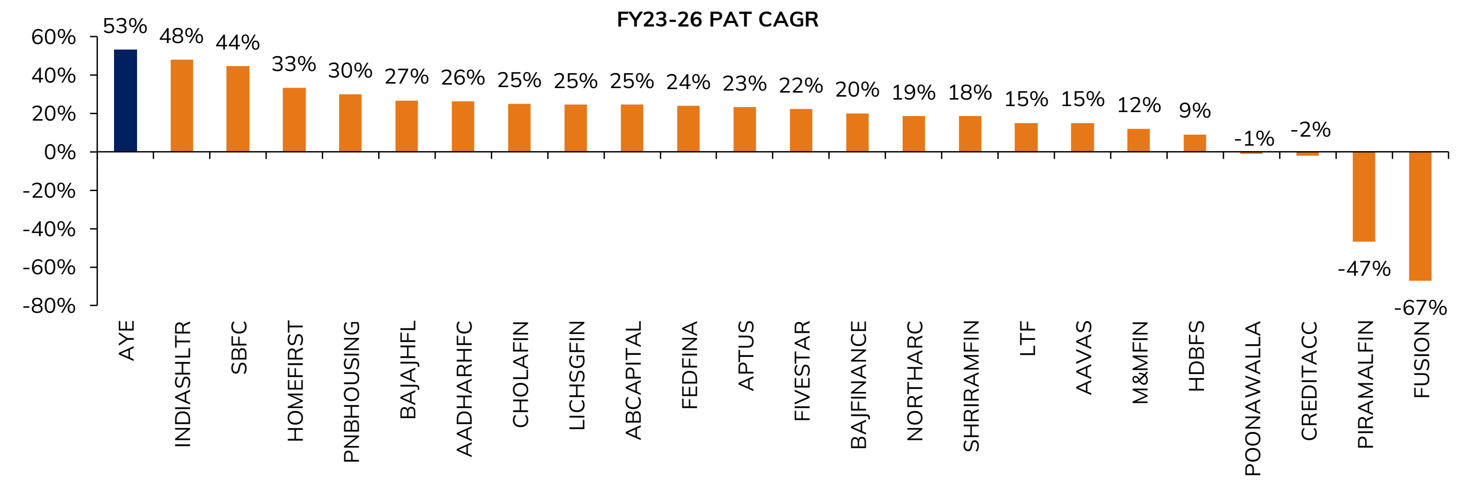
Source: Company data, I-Sec research

Note: Non-Interest Income is inclusive of Fees and commission, Net gain (loss) on Fair value changes, Net gain on derecognition of financial instruments and other Income; All ratios calculated on average total assets

We see AYE sustaining high growth and improving earnings quality together, rather than just a pure high-growth balance-sheet story. Its historical track record of >35% AUM CAGR and >50% PAT CAGR over FY23–26 demonstrate the company's ability to scale faster than peers.

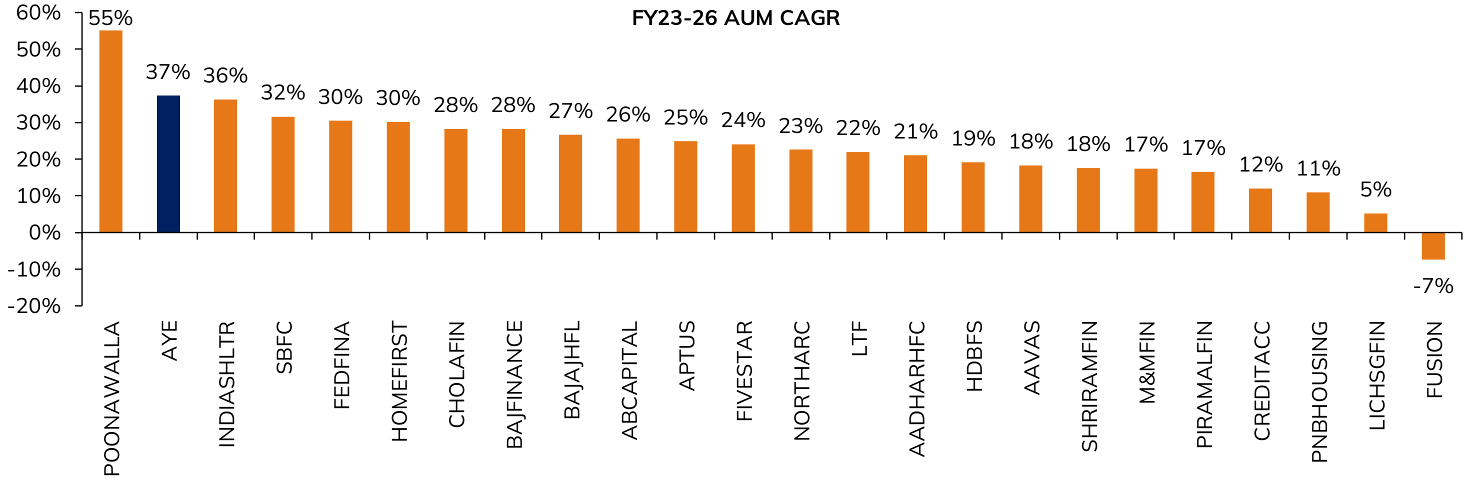
In our view, this combination of a large addressable market, sustained AUM compounding and operating leverage will likely allow AYE to maintain a materially superior PAT growth trajectory over the medium term, making it one of the most compelling structural growth stories in our NBFC coverage universe.

Exhibit 24: Aye is amongst select NBFCs with >50% PAT CAGR during FY23–26...



Source: I-Sec research, Company data

Exhibit 25: ...supported by ~37% AUM CAGR during FY23–26, among the highest across peers



Source: I-Sec research, Company data

Improving RoA trajectory: Operating leverage and lower credit costs to more than offset NIM compression

We see a clear path for Aye's profitability to improve meaningfully over the next 2–3 years. Based on our estimates, RoA (calculated) is likely to improve from ~2.7% in FY26 to ~4.8% by FY28E. While a deliberate change in product mix (towards secured LAP) could lower asset yields marginally, the benefits from lower credit costs and operating leverage would more than offset adverse margin impact on RoA.

While Aye continues to focus on small-ticket enterprise loans, it is gradually increasing the contribution of mortgage loans (ML), which carry a lower yield by 400–450bps than its core hypothecation loans (HL) but offer higher ticket sizes and longer tenures.

Management expects HL's share to reduce from ~77% of AUM currently to ~60–70% over the next 3–4 years, with ML increasing to ~30% vs. ~22% currently. As a result, blended yields are expected to decline by ~100bps over the next 3–4 years.

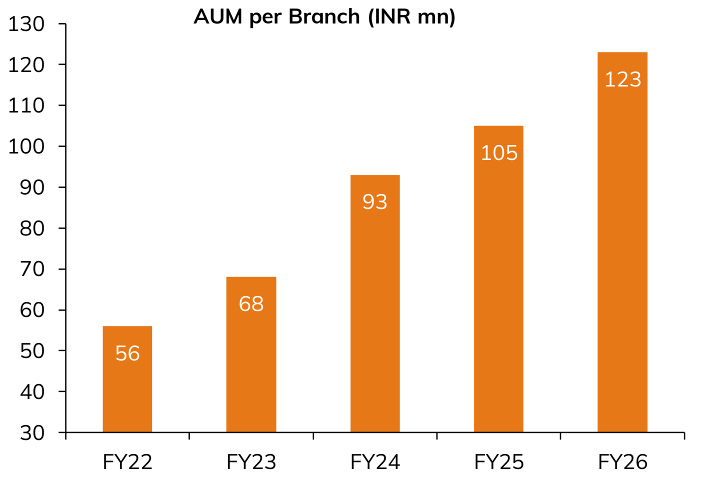
However, the company also believes that asset yield moderation is unlikely to impact overall profitability due to following reasons –

- **Declining cost of borrowing (CoB):** Aye expects its CoB to ease from current levels (10.8% in Q1FY27), helping support spreads in quarters ahead. Aye's average CoB has steadily declined from 13% in FY22 to 10.9% in FY26, driven by an improving funding mix and credit ratings. Notably, incremental CoB is already 50–60bps lower than book cost, providing comfort towards improving CoB ahead. The company's credit rating was upgraded to A+ Stable by India Ratings in Jun'26, which is likely to incrementally lower near-term borrowing costs by 20–25bps.

- **Improving AQ:** While Aye reported full-FY26 credit cost of 4.76%, which management attributes partly to the industry-wide over-lending cycle, this moderated to 4% by Q1FY27, implying an improving AQ cycle. Taking cognizance of reducing borrower-level over leverage and improving collections, it guides for 3.5–4% credit cost in FY27 and 3.25–3.5% over the next three years. We believe there is reasonable visibility for this improvement given Aye's historically range-bound cross-cycle credit costs of ~3.5%, from FY18–26 (**Exhibit 32)**.

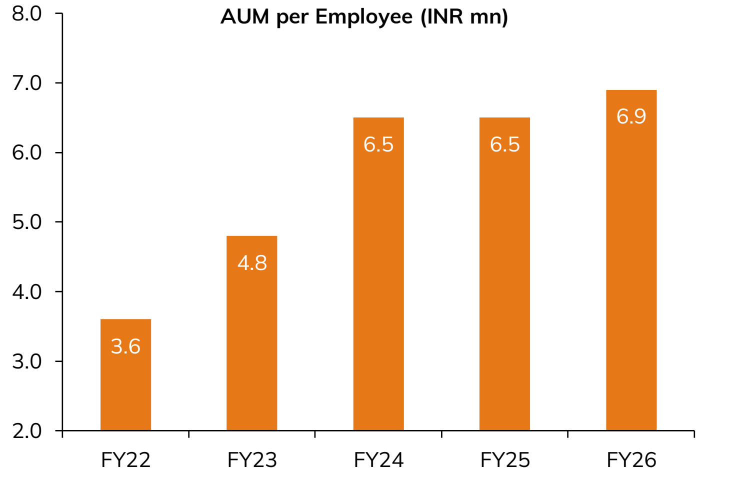
- **Operating leverage:** A higher share of repeat loans (~52% of loans as of Jun'26 in HL) and better productivity driven by greater branch vintage could drive operational efficiency. Average AUM per branch grew to INR 123mn in Mar'26, up from INR 56mn in Mar'22, while AUM per employee grew from INR 3.6mn to INR 6.9mn over the same period. Branch vintage data indicates that branches become significantly more productive as they mature. Specifically, branches with over four years of vintage carry ~3x the AUM of branches that are less than two years old. It has opened >90 branches during the past two years and the same is likely to drive incremental growth, which could drive operating leverage.

Exhibit 26: AUM/branches doubled since FY22 – improving trend likely to sustain



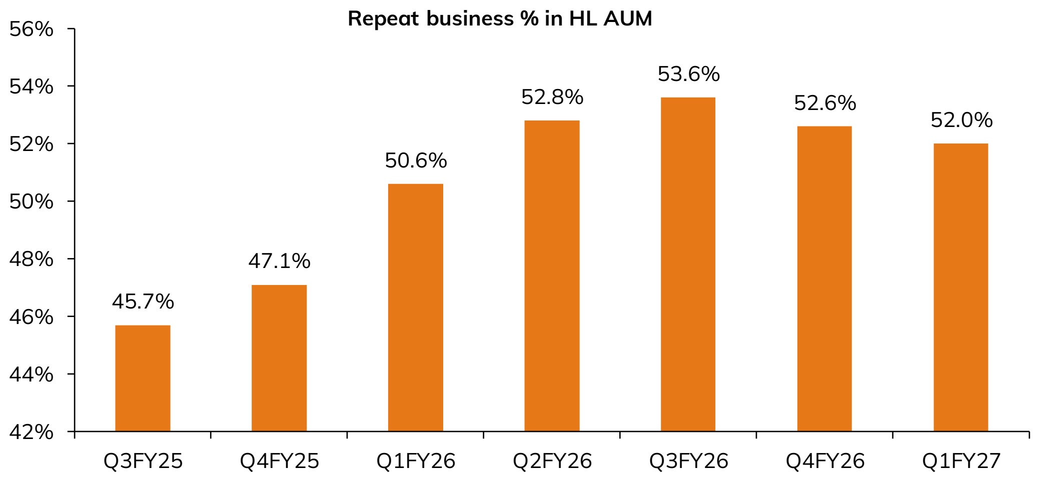
Source: I-Sec research, Company data

Exhibit 27: AUM per employee remained rangebound since FY24; strategic roadmap in-place to improve from hereon



Source: I-Sec research, Company data

Exhibit 28: Repeat business enhances lifetime customer value and reduces new-loan acquisition cost

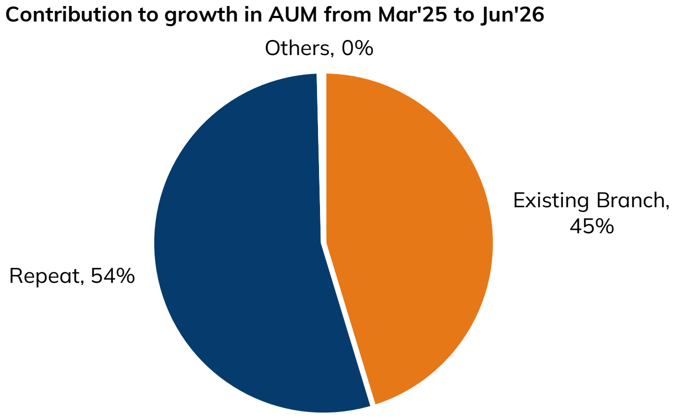


Source: I-Sec research, Company data

Branch productivity, rather than branch additions, is becoming a key growth lever. The existing network has significant room to deepen as branches mature, with average AUM increasing from INR 60mn in branches up to two years old to INR 150mn in branches with >4 years of vintage.

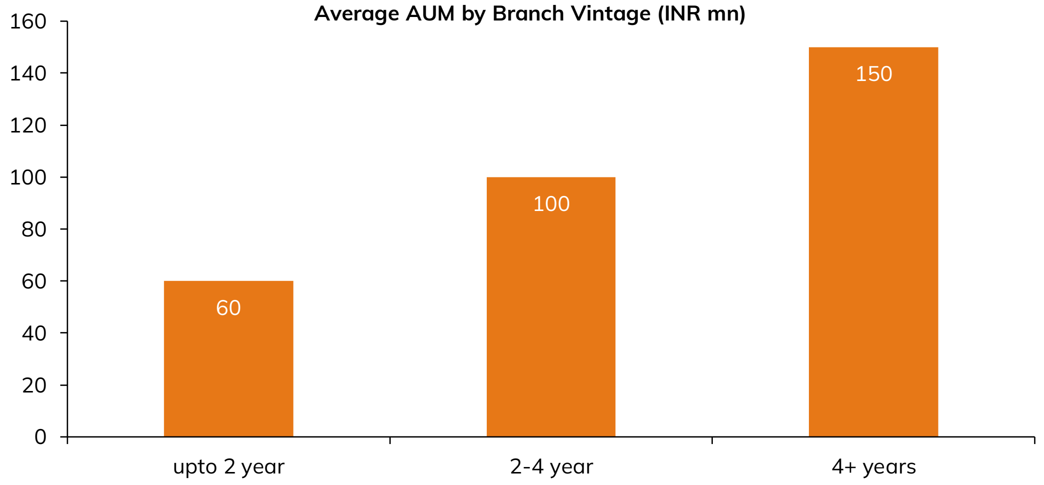
Importantly, ~45% of incremental AUM growth between Mar'25 and Jun'26 came from existing branches, while Aye did not add new branches in Q1FY27. This indicates that the company could drive AUM growth by deepening existing branch portfolios, creating operating leverage as AUM per branch scales up.

Exhibit 29: Calibrated branch expansion supporting high-growth



Source: I-Sec research, Company data

Exhibit 30: Branch productivity is set to improve with vintage



Source: I-Sec research, Company data

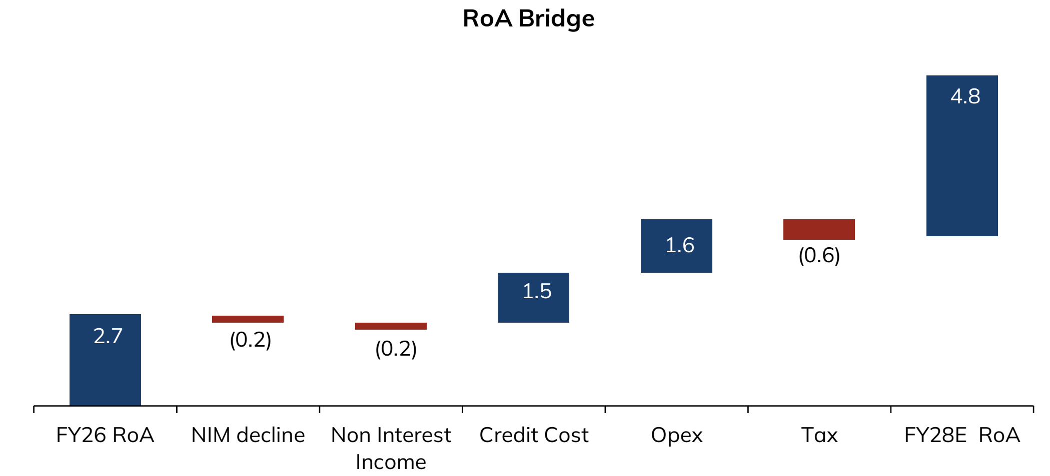
Note: Data as of Jun'26

The next leg of productivity improvement is, therefore, increasingly embedded in the existing network. Aye's upfront investments in distribution, technology and people are now being absorbed over a larger asset base. Management is guiding for opex-to-assets to decline from 9.6% in FY26 to 8.25–8.75% in FY27 and 7–7.5% over three years. Our RoA bridge incorporates ~160bps of benefit from opex, broadly consistent with historical trajectory. Technology and repeat lending could further accelerate this operating leverage. Aye's technology is embedded across sourcing, underwriting and collections, with ~96% of EMIs running through auto-debit mandates and most bounced payments recovered digitally.

More importantly, repeat loans are originated entirely through the telesales channel, where an originator generates ~INR 18mn of monthly disbursements vs. ~INR 0.8mn for a field officer. As the customer base matures, greater repeat lending is likely to reduce the incremental cost of acquisition and improve employee productivity, providing another avenue for opex-to-assets to decline.

Overall, we expect RoA to improve from ~2.7% RoA in FY26 to ~4.8% by FY28E, driven by ~150bps reduction in credit cost and similar improvement in cost ratios over FY26–28E. While its asset diversification strategy is likely to impact asset yields, reducing CoB would help it sustain NIMs at more than 14.5%.

Exhibit 31: Operating efficiency and normalised credit cost to propel FY28E RoA to 4.8%



Source: Company data, I-Sec research

Note: Non-Interest Income is inclusive of Fees and commission, Net gain (loss)on Fair value changes, Net gain on derecognition of financial instruments and other Income; All ratios calculated on average total assets

Credit-tested underwriting to drive credit cost lower: Aye's write-offs were lower vs. MFI in current credit cycle

 # 100% paperless loan sanctioning

 # 97% digital signing

 # 100% cashless disbursements

 # 96% of customers are NACH registered

 # 100% of the repayment receipts to customers have been automated

 # Automated underwriting models for over 70 business clusters

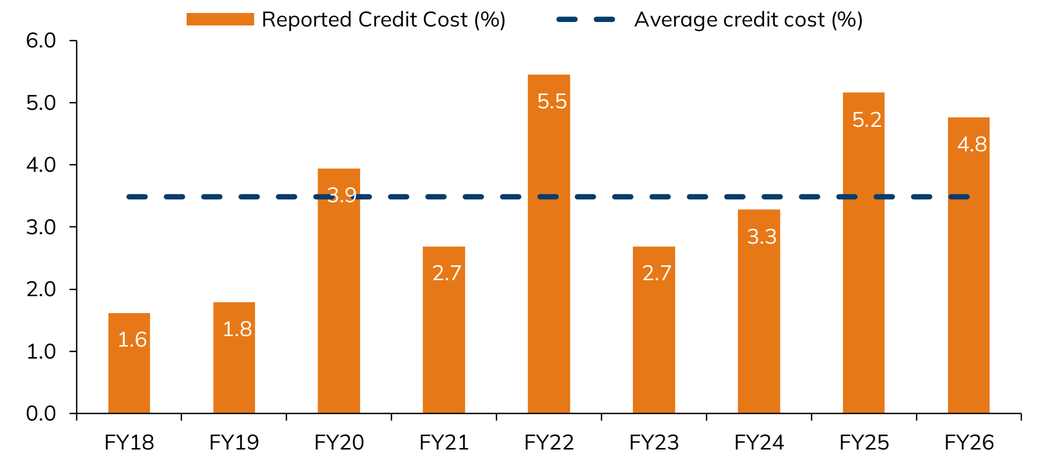
 # ~32% straight through underwriting via data science scores

Aye's target customer segment demands a robust underwriting model due to inherent complexities of evaluating the micro-enterprise segment, where customers often have limited business documentation or formal credit history. However, Aye has established a distinct underwriting expertise that now serves as a key competitive moat. The company evaluates customers based on business cash flows and profit margins within their specific category of business – a framework Aye refers to as a '**Business Cluster'**.

Aye has developed this model from its deep understanding of >70 business clusters. This rigorous underwriting framework is further supported by robust collection capabilities, which include dedicated field team at branches, as well as tele-collections and digital models to optimise collections.

While Aye's reported credit cost – averaging ~3.5% over FY18–26 have remained below current levels and have navigated various cycles. Credit costs increased during the Covid-19 cycle and the recent industry over-lending cycle, reaching ~5% levels. However, it subsequently moderated to ~4.76% in FY26 and 4% in Q1FY27. Notably, Aye is cognizant of credit cost vulnerabilities – reflected in asset yields sustaining at >22% cross-cycle – allows them to price risk appropriately.

Exhibit 32: Normalised credit cost (except covid years) stands at ~3%, reflects strong portfolio quality



Source: Company data, I-Sec research

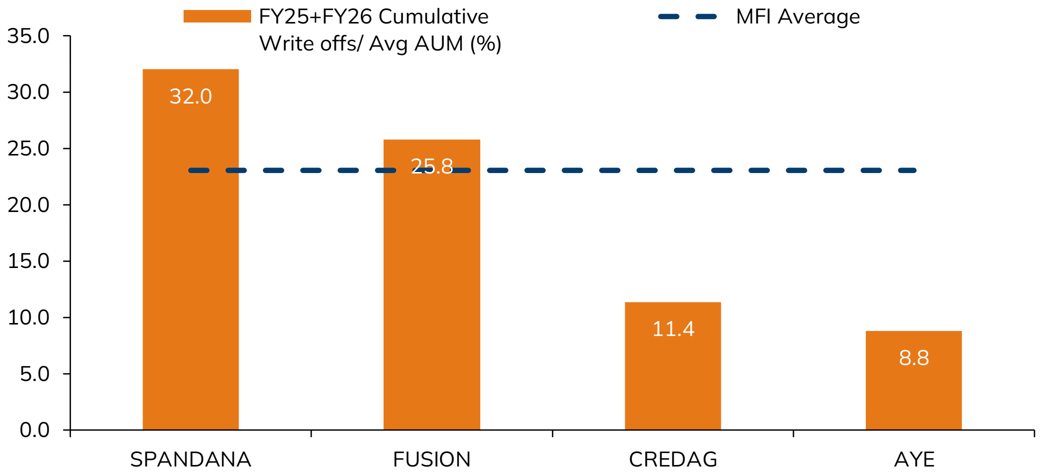
Credit behaviour differs significantly between Aye's target segment and MFI customer segment. For the FY25–26 period, cumulative write-offs for MFI players under our coverage averaged >20% of average AUM. In contract, Aye's cumulative write-offs remained below 10%. While Aye operates in an underserved, small-ticket borrower segment that may initially look similar to MFI, the distinct credit outcomes highlight the unique traits of its customer base. Aye's business-focused underwriting model serves as its key differentiator.

Collections are further supported by a technology-enabled multi-layered architecture. ~96% of EMIs are on auto-debit mandates and most bounced payments are recovered digitally. Early-stage delinquency is handled through the tele-callers, soft-collection team, while more severe cases are escalated to dedicated hard collectors, digital calling, field teams and, where required, agency and legal channels. This combination of strong upfront underwriting and active post-disbursement monitoring is important in micro-enterprise lending, where temporary cash-flow volatility could otherwise quickly translate into delinquency.

The 'on-us/off-us' analysis provides compelling evidence of the quality of Aye's customer selection and collections. A bureau analysis of 100 customers who had defaulted with at least one other lender, revealed that 75 remained regular with Aye while defaulting with other lenders. Conversely, only 3.5 defaulted with Aye while remaining regular with other lenders. This suggests that Aye does not merely benefit from a generally stronger borrower pool; rather its underwriting and relationship-led collection processes appear actively influence repayment behaviour, even when the same customer faces stress elsewhere. Hypothecation of business assets also acts as a behavioural form of collateral, as disruption to the underlying business is highly undesirable for the entrepreneur.

We, therefore, believe the credit-cost improvement embedded in our RoA bridge is supported by both historical evidence and the current-cycle stress test. Aye has demonstrated an ability to maintain credit costs ~3.5% cross-cycle, while its cumulative write-offs during the latest industry stress remain materially below the MFI average. With the recent over-lending cycle normalising and underwriting discipline remaining intact, we expect medium-term credit cost to trend towards 3.25–3.5%.

Exhibit 33: Cumulative write offs for Aye lower than MFI Players



Source: Company data, I-Sec research

Note: Write offs calculated on average AUM

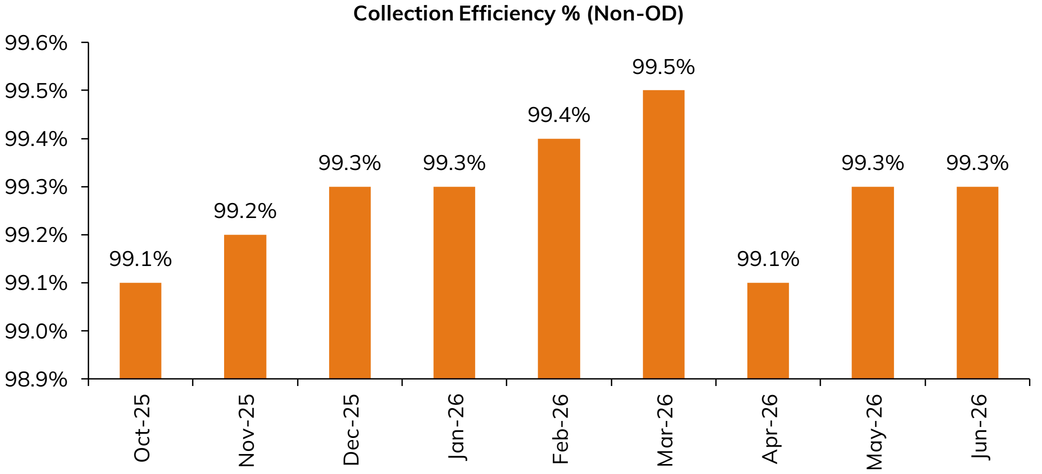
Aye's collection efficiency remains strong, sustaining at >99% levels and reflecting robust repayment discipline across the portfolio. Furthermore, the company's ability to pre-empt the business cycle is highly evident – disbursements growth moderating sharply to 9% YoY in FY25 vs. >80% CAGR over FY21–24, reflecting the efficacy of its early-warning systems.

This proactive approach resulted in AUM growth moderating to 24% YoY in FY25 vs. 64% in FY24, while credit cost rose to >5% in FY25 vs. 3.3% in FY24.

However, management immediately responded with corrective measures like – strengthening the collection team to 850–900 in FY25–26, from 400 earlier and tightening credit filters (approval rate reduced to 45% in FY25 vs. 55% earlier).

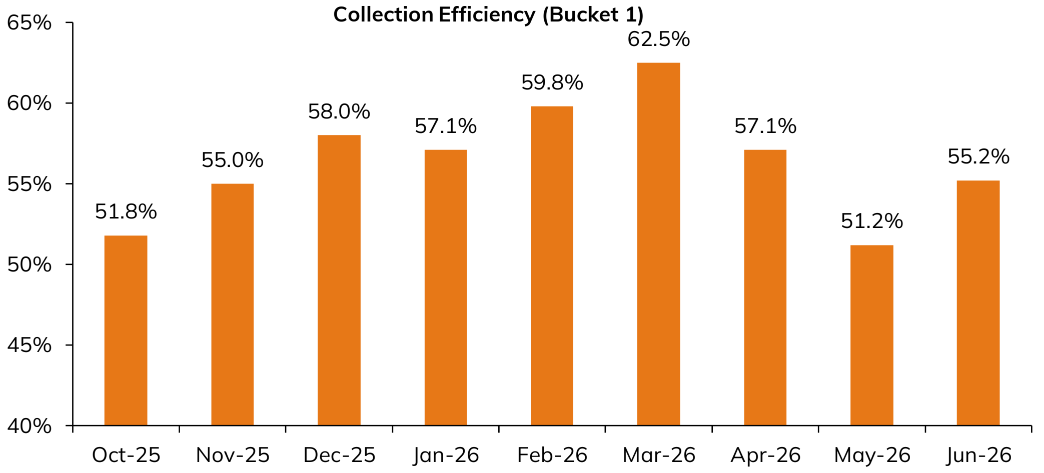
These measures successfully contained forward flows, as evidenced by Bucket-1 collections improving to 55% by Q1FY27, from 37% in Q3FY25, which brought down credit cost to 4% by Q1FY27 from >6% in Q3FY25.

Exhibit 34: Collection efficiency remains robust at >99%



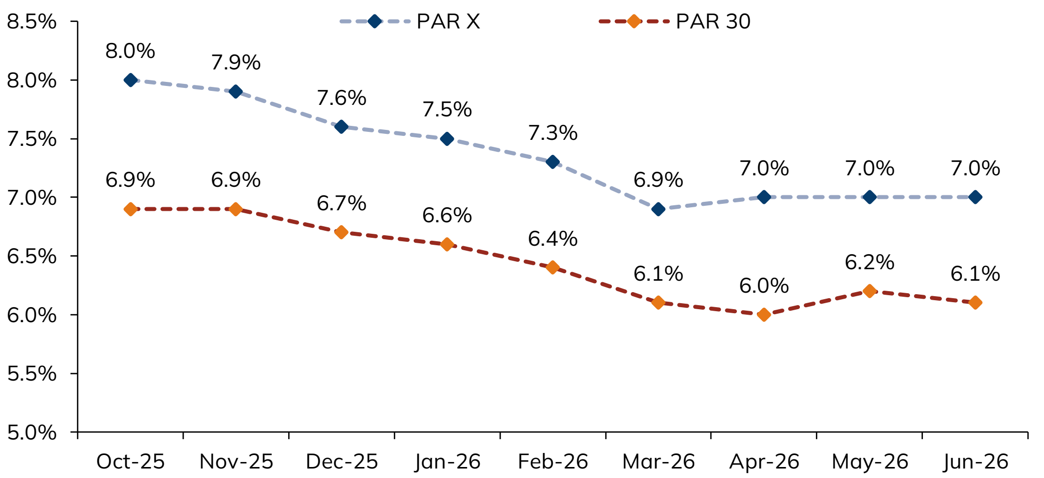
Source: Company data, I-Sec research

Exhibit 35: Collection efficiency >55% for bucket-1 accounts



Source: Company data, I-Sec research

Exhibit 36: PAR-X and PAR-30 steadily declining



Source: Company data, I-Sec research

Aye's business model

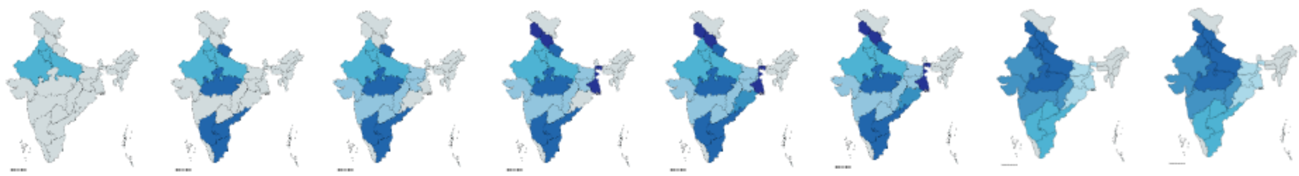
About the company

Aye is a middle-layer NBFC, focused on providing financial solutions to micro-scale micro, small and medium enterprises across India within INR 0.15mn–0.5mn ticket size. It has uniquely developed an underwriting model, capable of extending business loans, against hypothecation of working assets (few NBFCs are capable of granting loans with such feature) or against security of property. It serves ~0.67mn active customers through a strong branch-led distribution network of 571, enhanced by proprietary analytics and tech-driven credit assessment, enabling deep geographic reach with digital intelligence. Total AUM stands at INR 73.2bn, as on Jun'26. Its key competitive moat lies in underwriting business cash flows of a variety of business clusters, which has enabled it to maintain stable credit costs and allowed to profitably scale up operations.

Aye was founded in 2014 by Mr. Sanjay Sharma, an IIT Bombay and IIM Bangalore alumnus whose prior career spanned HSBC, Standard Chartered, HDFC Bank, ICICI, Max New York Life and Tamweel PJSC in the UAE. While it does not have an identifiable promoter, the company is strongly supported by a group of long-tenured institutional investors including Elevation Capital (invested since 2015 and a non-seller at the IPO), LGT, CapitalG, British International Investment, A91 Partners, MAJ Invest, Waterfield and ABC Impact (Temasek Trust).

Exhibit 37: Journey so far

	FY2016	FY2018	FY2020	FY2022	FY2023	FY2024	FY2025	FY2026
	Started in North	+South	+West & East	PAN India	PAN India	PAN India	PAN India	PAN India
Obtained CoR as NBFC from RBI 2014								



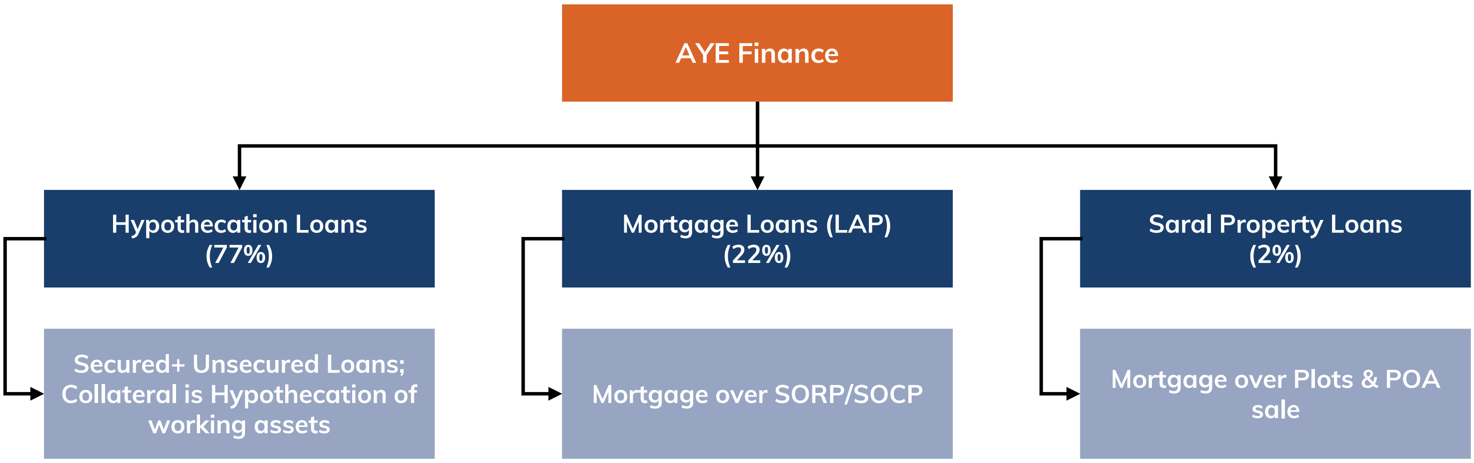
	FY2016	FY2018	FY2020	FY2022	FY2023	FY2024	FY2025	FY2026
# States Added	5	5	8	2	1	0	0	0
Total States	5	10	18	20	21	21	21	21
Branches			172	311	398	478	526	571
AUM (Rs. Crores)				1,728	2,721	4,463	5,534	7,044
Key Investors added	▪ Elevation Capital ▪ Accion Africa-Asia Investment Company	▪ LGT Capital Invest Mauritius PCC	▪ Google Capital Alpha Wave India I LP ▪ Maj Invest Inclusion Fund	▪ A91 Emerging Fund I LLP		▪ British International Investment PLC ▪ Waterfield Alternative Investments Fund I	▪ Temasek Trust Asset Management	▪ Initial Public Offering

Source: Company data

Aye's product architecture and focus on diversification

Aye's product offerings are displayed in **Exhibit 38.** Its current product portfolio includes hypothecation loans, mortgage loans and Saral property loans. Taking cognizance of its active customers' reliance on outside lenders for products like gold loans, affordable housing and two-wheeler loans, management intends to gradually expand its product offering. In its first phase, it aspires to enter gold loan segment and then slowly expanding into other secured products.

Exhibit 38: Aye product offerings



Source: I-Sec research, Company data

Note: Data as of Jun'26; % indicates share in AUM

Hypothecation loans: Aye's flagship product

- Aye's flagship product is Hypothecation loans which constitute ~77% of overall AUM mix and is provided to customer in the form of secured and unsecured both.
- It provides working capital credit secured by hypothecation of the borrower's own business assets - inventory, machinery, receivables - which remain in the borrower's possession.
- ATS on disbursement for hypothecation loans is INR ~150k with average tenor of ~24 months. Average yield in this segment is 27.5-28% – the highest yields in its product suite.
- Management's long-term aspiration is to keep this product in the range of 60-70% of overall AUM vs ~77% currently and thereby maintaining its flagship nature.
- A standard hypothecation branch runs 8 loan officers, 1-2 credit and operations staff and a branch manager. Once a branch passes 700 customers a soft collector is added; hard collections are managed centrally with field officers deployed to a branch only when overdue volume justifies it
- Management has highlighted that there is no near alternate supplier for this kind of product and their core competence lies in lending to this informal sector.
- Customer chooses Aye because money-lenders in unorganised market charge as high as ~36% p.a. for this type of product, Aye is able to do it roughly ~800-900bps lower rates than this with minimal AQ deterioration and maintaining profitability.

Mortgage Loans: Acting as a diversification play

- LAP/ Mortgage loans are property-secured business loans with average ticket ~INR 490k and tenor of ~72 months. Average portfolio yields in this segment are ~22-23%. Mortgage collateral is typically over SORP/SOCP.
- Management intends to scale this product to ~30-35% of overall AUM in the longer run vs current share of ~22% (Jun'26).
- ML is catered through primary channel of decentralised underwriting through 180 branches. Typical branch structure is 1 branch manager, 4 relationship officers and 1 credit officer. Between FY24 and FY26, the company deployed 1,020 dedicated staff in "Primary ML Channel" in 180 branches.

- Additionally, ML is also catered through centralised underwriting model through branch BAU; Upsell team of >125 staff is deployed in 125 branches wherein the team is responsible to upsell ML loans to eligible repeat customers from HL portfolio

Saral property loans: A discontinuing product

- A residual product against plots and power-of-attorney titles, shrinking as a share of the book.
- Saral Property loans accounts for ~1.5% of total AUM mix; Average ticket size on disbursement in this segment is INR ~0.2mn
- Management highlighted they did not intend to scale this book and is largely on the verge of running down this book. It should almost be negligible by the end of FY28.

Distribution: The phygital branch model

One of Aye's strongest core competencies is its completely in-house customer sourcing strategy. By deliberately avoiding DSAs and external connectors, the company maintains strict control over KYC integrity, underwriting consistency and fraud prevention. Consequently, this robust framework provides strong assurance regarding the company's overall underwriting capability.

Aye has adopted a strategy called "**High-touch, High-tech**" model - which combines technology-driven underwriting process with branch-based origination and on field collection. Since Aye underwrites cashflow and not property, the model is not tied to any state specific property law or local valuation.

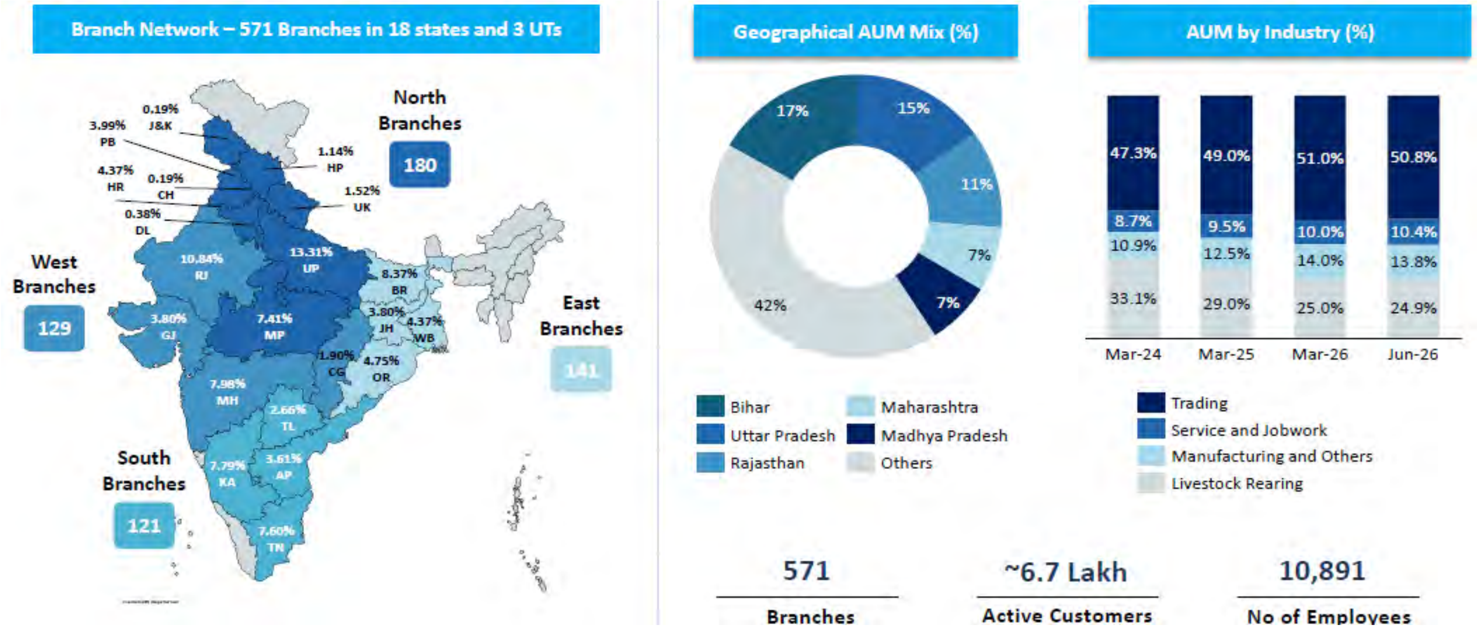
Pan-India scale, diversified portfolio and granular exposure provide a strong foundation for sustained growth. Aye has built a 571-branch network across 18 states and 3 UTs, serving ~670k active customers as of Jun'26 giving it deep reach across tier-2/3 markets.

The combination of granular small-ticket lending, products across hypothecation and mortgage loans, and a broad branch-led distribution network should allow Aye to deepen its presence within existing markets while maintaining portfolio diversification. Notably no state contributes >17% of total AUM mix as of Jun'26- Bihar is the highest with ~17% AUM share followed by Uttar Pradesh and Rajasthan with ~15% and ~11% respectively

A standard hypothecation branch runs 8 loan officers, 1-2 credit and operations staff and a branch manager. Once a branch pass ~700 customers a soft collector is added; hard collections are managed centrally with field officers deployed to a branch only when overdue volume justifies it. The mortgage business is run as an independent channel out of 180 branches, each with its own branch manager, 4 relationship officers and 1 credit officer.

Repeat lending is the highest-margin channel in the business. Repeat disbursement was INR 17.3bn in FY26, a third of total disbursement, and ~52% of hypothecation AUM. It is originated entirely by telesales, identified by data-science models and offered only to customers with strong repayment behaviour. Notably, the company has not opened any new branches in Q1FY27 and has still managed to deliver ~28% AUM growth through existing customer database and branches.

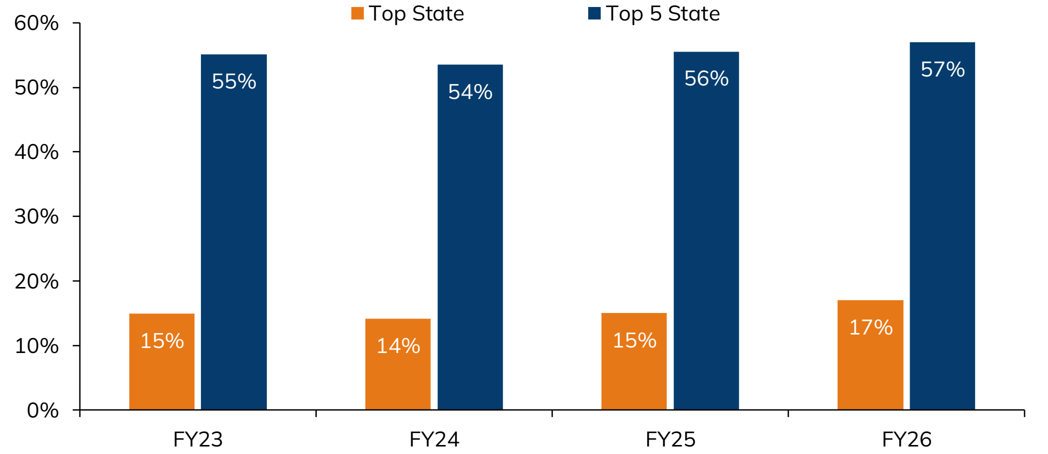
Exhibit 39: PAN INDIA Presence



Source: I-Sec research, Company data

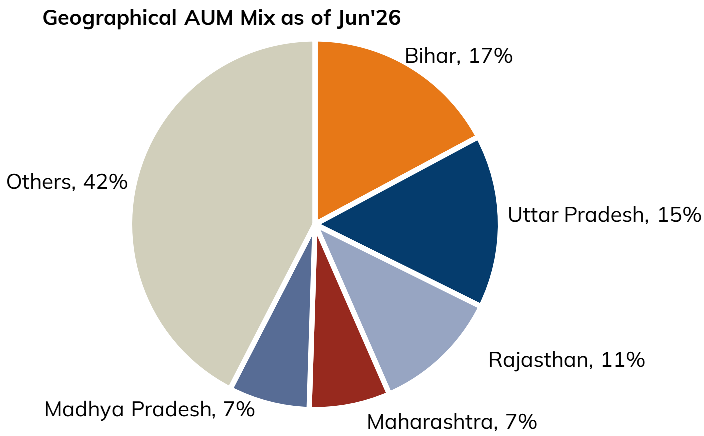
Note: Data as of Jun'26

Exhibit 40: Geographically diversified with no single state accounting for >17% of total AUM



Source: I-Sec research, Company data

Exhibit 41: No single state accounts for >17% of total AUM as of Jun'26



Source: I-Sec research, Company data

Technology brings efficiency in Underwriting, Collections and Cost

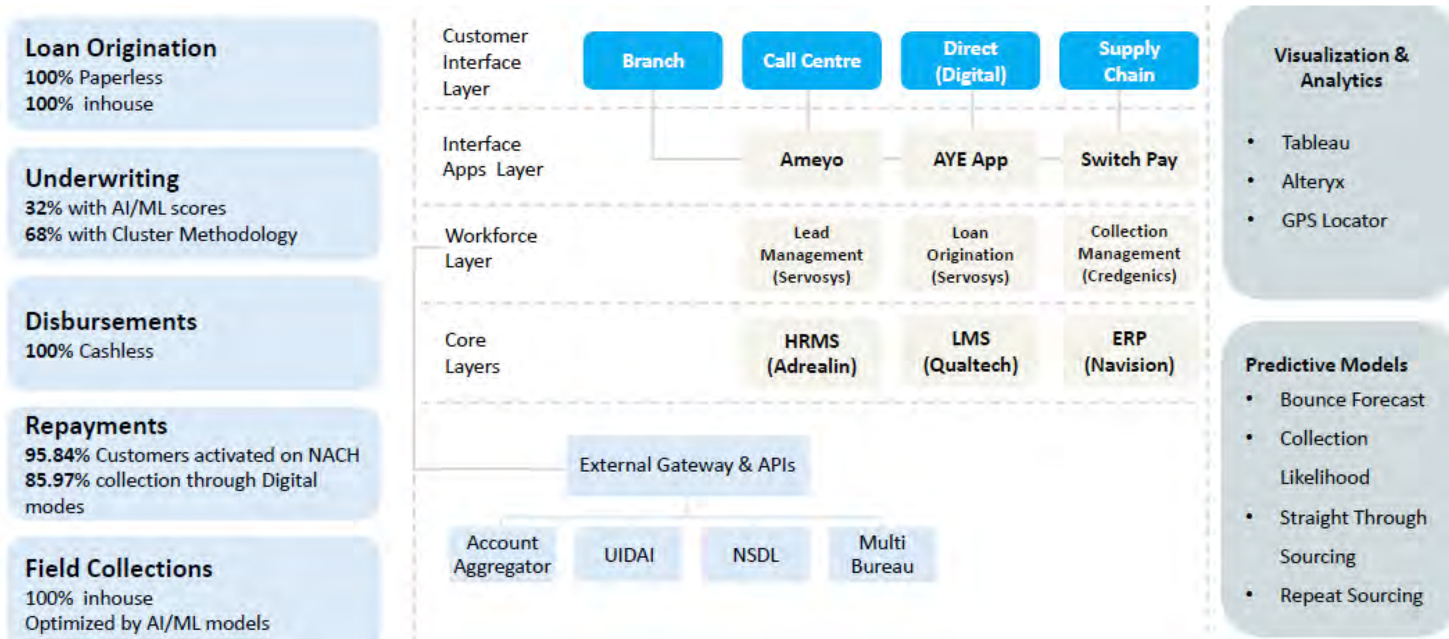
Technology at Aye is not a distribution layer; it is the mechanism that makes INR 160k ticket economically viable. Three areas matter.

Underwriting. An upfront bureau-screening model triages applications in real time; a central credit-risk model scores delinquency probability; a repeat-risk scorecard prices and prioritises renewal offers. As of Sep'25, ~24% of loans originated excluding allied agriculture were supported by data-science assessment models. Most significantly, the company has completed a pilot of a multimodal large language model that estimates monthly sales for trading businesses – garment and grocery stores in tier-2 and beyond – from store images and a small set of operational attributes, integrated with the in-house ML stack

Collections. Models in production for >5 years seek to predict customers that are likely to miss a payment, which would self-cure, and the optimal treatment channel – SMS, voice bot, tele-calling or field visit. ~96% of active loans run on ACH mandates and ~86% of repayments are digital. The collections management system GPS-tracks collectors, logs activity trails and customer promise, and issues electronic receipts for field payments.

Cost. Core systems run on a private cloud rather than third-party SaaS, holding IT cost below INR 30 per customer per month.

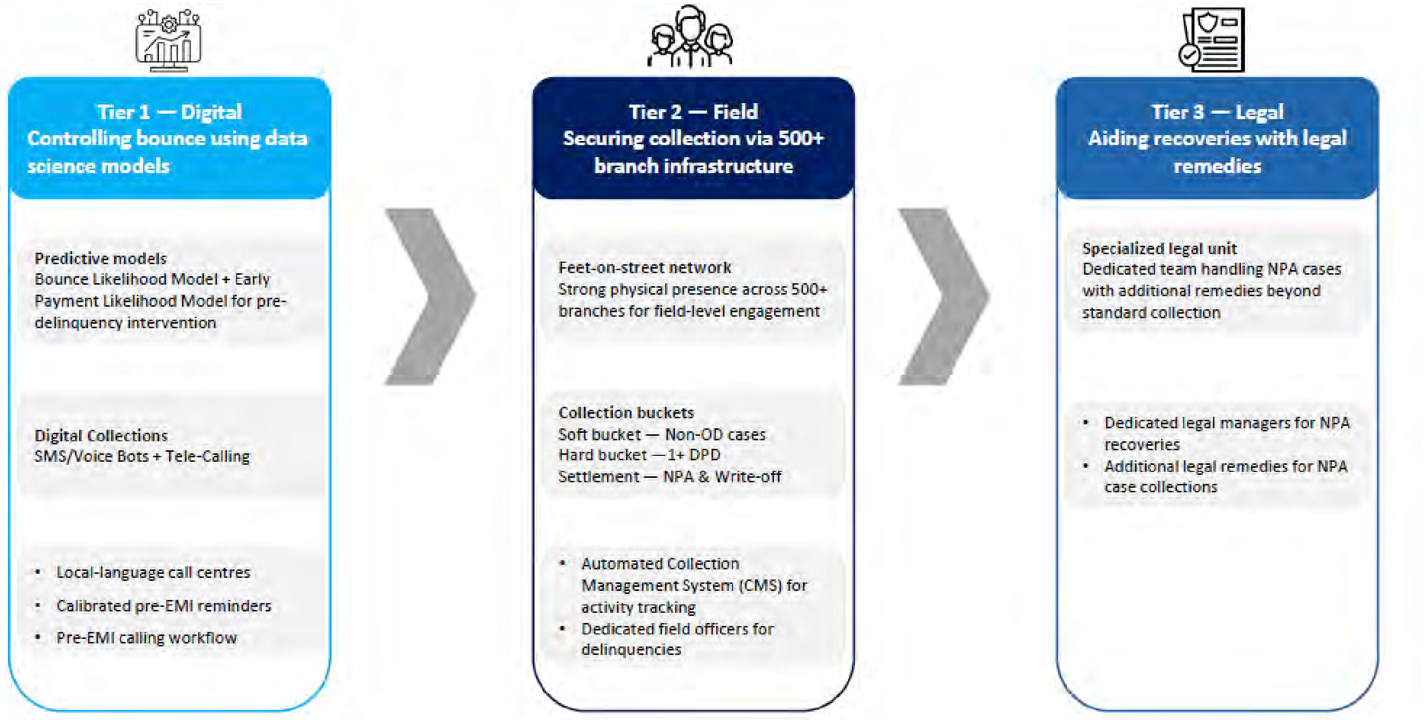
Exhibit 42: Technology efficiency drivers



Source: I-Sec research, Company data

Note: Data as of Jun'26

Exhibit 43: Robust multi-tiered collection capabilities



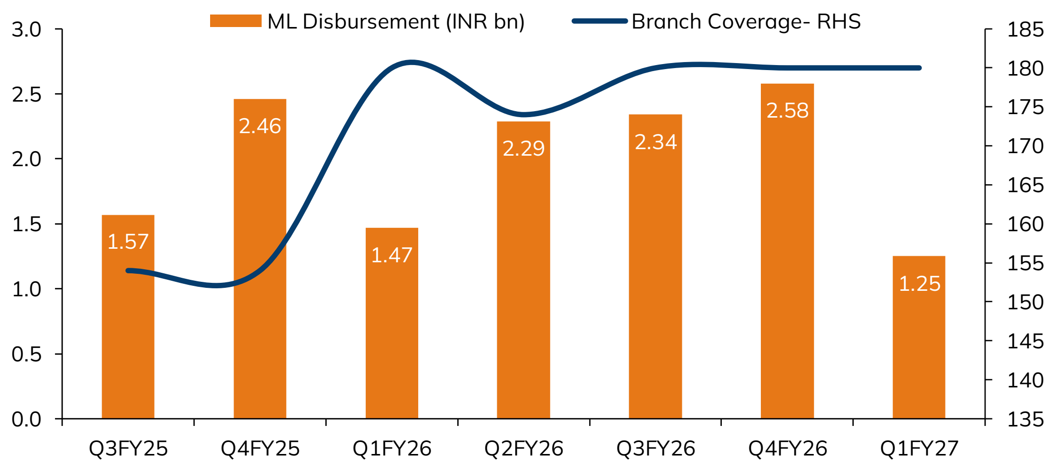
Source: I-Sec research, Company data

Efficiency drivers: Multiple levers to drive operating leverage

Longer tenor mortgage loans could improve AUM stability and profitability. Aye's calibrated expansion of the mortgage business is supported by dedicated infrastructure, with 1,020 staff deployed across the primary mortgage lending channel covering 180 branches as of Jun'26.

The company has maintained its branch coverage, allowing it to build productivity within the existing network rather than relying on incremental branch additions. The dedicated upsell team of ~126 staff deployed in 125 branches also provides an opportunity to cross-sell mortgage loans to eligible repeat customers from the existing HL portfolio, supporting higher customer lifetime value and lower acquisition costs.

Exhibit 44: ML disbursement and branch coverage

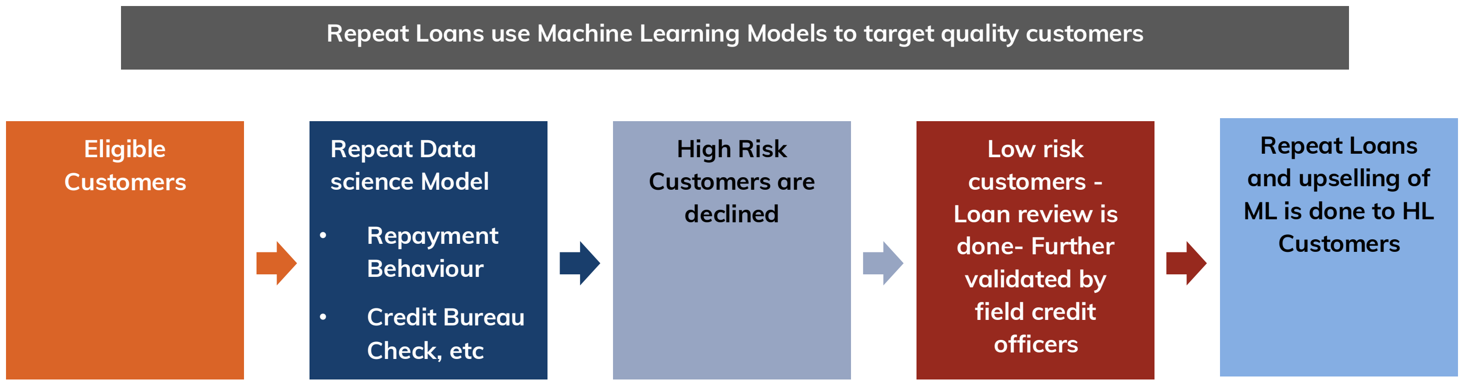


Source: I-Sec research, Company data

Since the tenure of offered loans is short, repeat business provides a structurally lower-cost growth engine. Aye uses data science/ML models to identify low-risk repeat customers based on repayment behaviour and bureau data, followed by validation by field credit officers.

This allows the company to originate repeat loans with limited dependence on field sales, with tele-calling productivity at INR 17.5mn per caller per month in Q1FY27. Repeat loans already account for ~52% of HL AUM, providing a meaningful base for continued customer monetisation while keeping origination costs low.

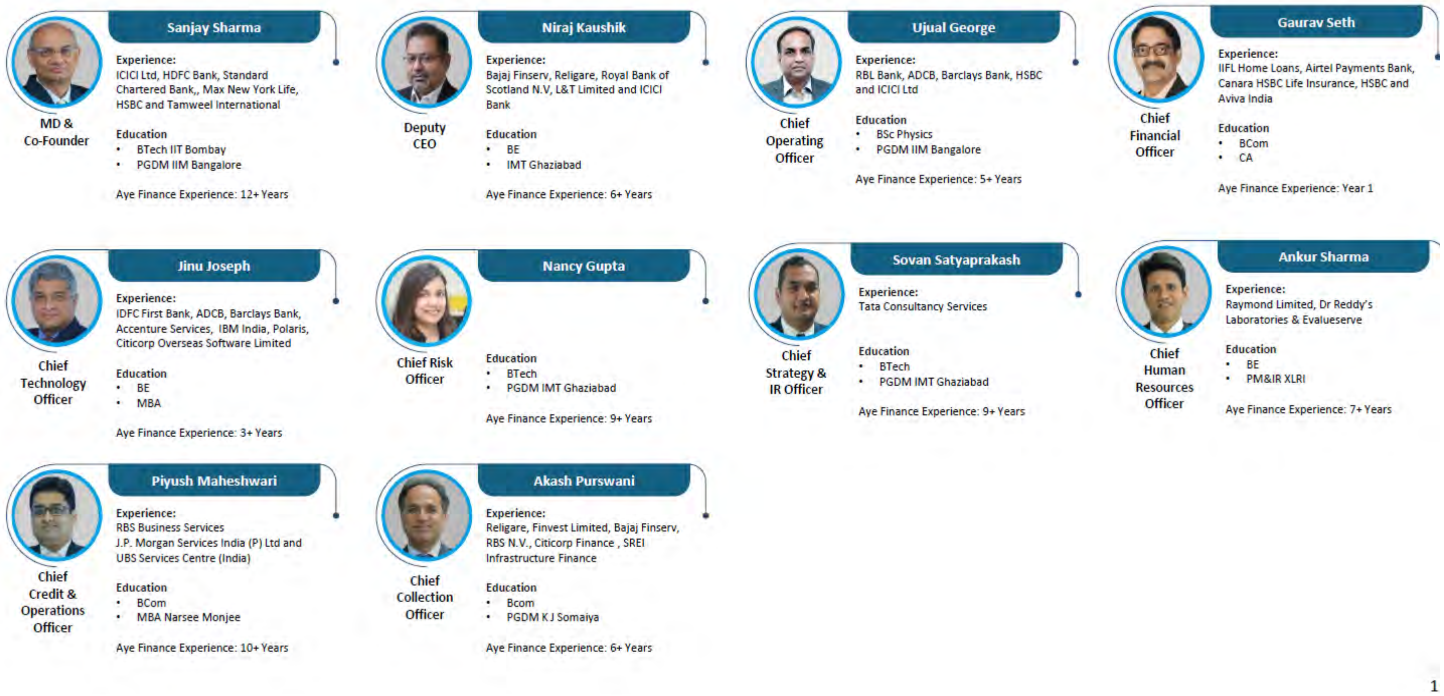
Exhibit 45: Robust cross-sell ecosystem led by machine learning models



Source: Company data, I-Sec research

Management team

Exhibit 46: Management team of Aye



Source: Company data as of Jun'26

Key risks

- **Cluster and geographic concentration**: 1) Bihar and UP account for ~32% of total AUM mix as of Jun'26. Any adverse impact in these states, whether due to budget allocation, political uncertainty or other uncertainties could negatively impact Aye's customer segment. 2) Cattle accounts for >25% of Aye's customer's business segment as of Sep'25. Any adverse impact on cattle/dairy farming business could negatively impact customer's repayment capacity which in turn could lead to increase in delinquencies.

- **Credit cost and operating expenses settling at higher end of the guidance:** As per management guidance, credit cost and operating expense improvement is likely to account for >150bps each till FY28. If these metrics do not to improve, it could impact RoA and overall profitability. Management has guided for a long-term credit cost range of 3.25–3.75%, while opex guidance is at 7–7.5%.

- **Failure to scale mortgage book or delay in launch of new products:** Management aspires to scale the ML book to ~30% in the longer run, over the next 3–4 years vs. ~22% currently. If Aye fails to scale this book, there would be limited diversification in the overall book. Any delay in the launch of new products that Aye aspires to cater to – gold loans, two-wheeler loans and affordable housing – or enter, could also have a negative impact on the book.

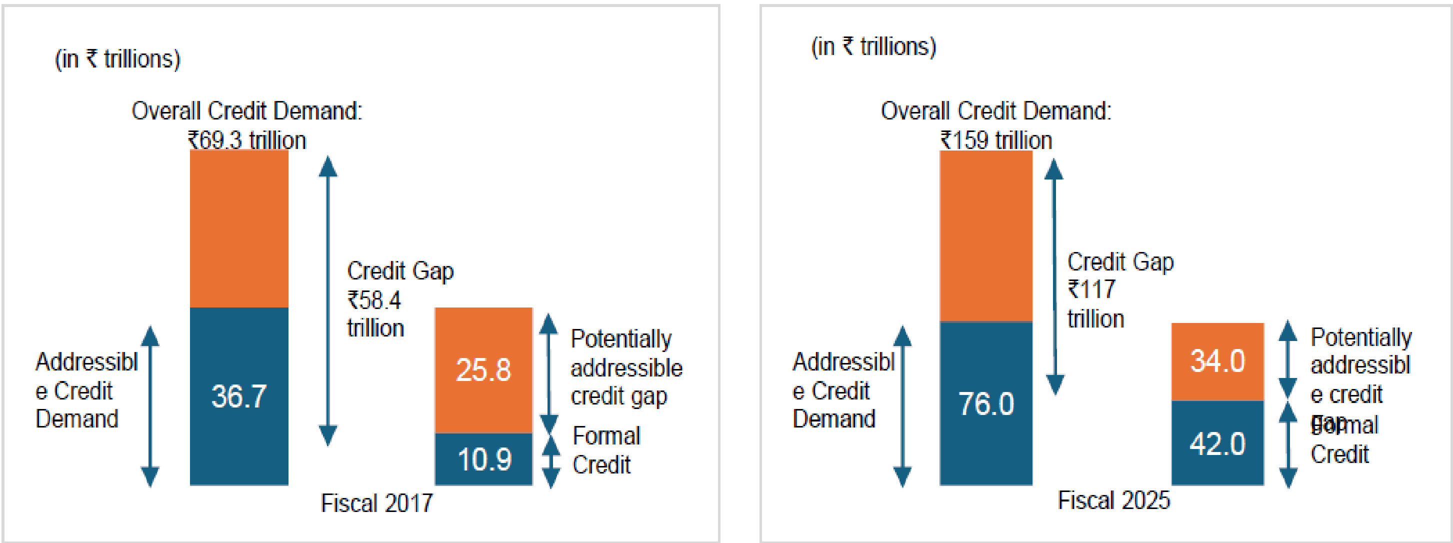
Industry overview

Credit gap in MSME segment – addressable market for Aye

- CRISIL Intelligence sizes total MSME credit demand at INR 159trn, as of FY25; of which, 27–28% is met through formal financing, leaving a credit gap of INR 117trn. The more useful number for a lender is the addressable subset: of that demand, INR 76trn is considered addressable, against INR 42trn of current formal supply, implying an addressable credit gap of INR 34trn.

- The structural reason the gap persists is worth stating because it determines who can close it. Formal lenders have not avoided this segment out of risk aversion alone; they have avoided it because the cost of physically delivering and monitoring a small-ticket loan to an undocumented business exceeds what the loan can bear under a conventional underwriting model. The gap is, therefore, closed not by capital, but by a lower cost of assessment – which is precisely what cluster-based underwriting and the associated automation are for.

Exhibit 47: Credit gap in MSME segment still exists; offering huge white space



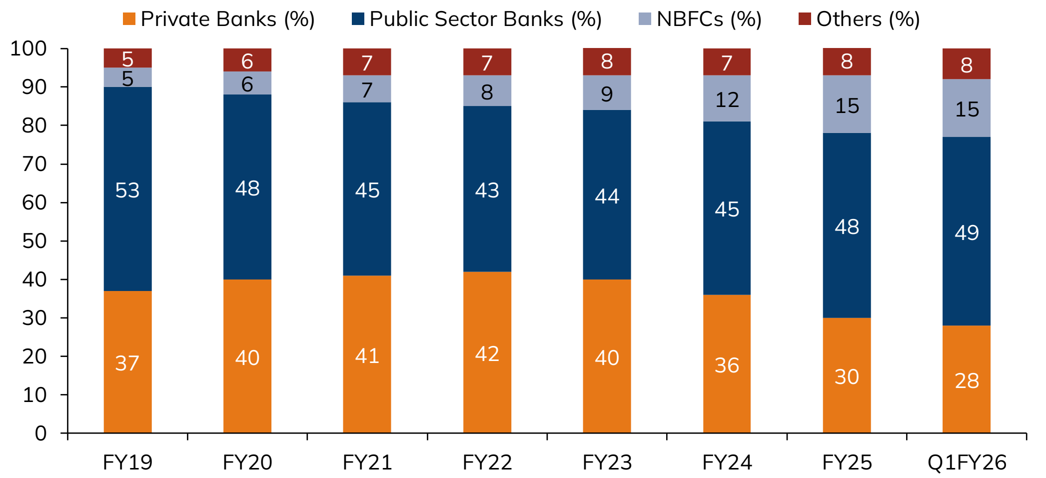
Source: IFC report on Financing India's MSMEs dated November 2018, Crisil Intelligence estimates

Banks are vacating small-ticket, NBFCs are moving in

- The most important structural shift for Aye is the migration of small-ticket MSME credit from banks to NBFCs. In MSME, loans of ticket size <INR 1mn, the bank share has fallen from ~90% in FY19 to ~77% in Q1FY26, while the NBFC share has tripled from 5% to 15% for the same period. Private sector banks have redirected origination toward larger MSME tickets, and the space they have vacated is exactly where Aye operates.

- Despite the large demand for MSME lending, only a very limited number of organized NBFCs or banks serve these customers. Barriers to entry in this market include high operational costs for servicing small-ticket loans, nuanced underwriting owing to limited or no available credit histories of borrowers, limited availability of data for underwriting and stringent regulatory requirements, which make it challenging for new entrants to effectively cater to this underserved segment. These discrepancies present a significant opportunity for financial institutions to address the unmet needs of this sector.

Exhibit 48: NBFCs gaining market share in less than INR 1.0mn ticker size MSME loans



Source: CIBIL, Crisil Intelligence

Financial outlook

Poised to deliver AUM CAGR of ~27% over FY26-28E

We believe Aye's unique positioning in the underserved micro-enterprise segment, coupled with limited competition and expanded distribution over past couple of years, is likely to drive ~27% AUM CAGR over FY26–28E. The company is guiding for 25–30% AUM CAGR during the same period.

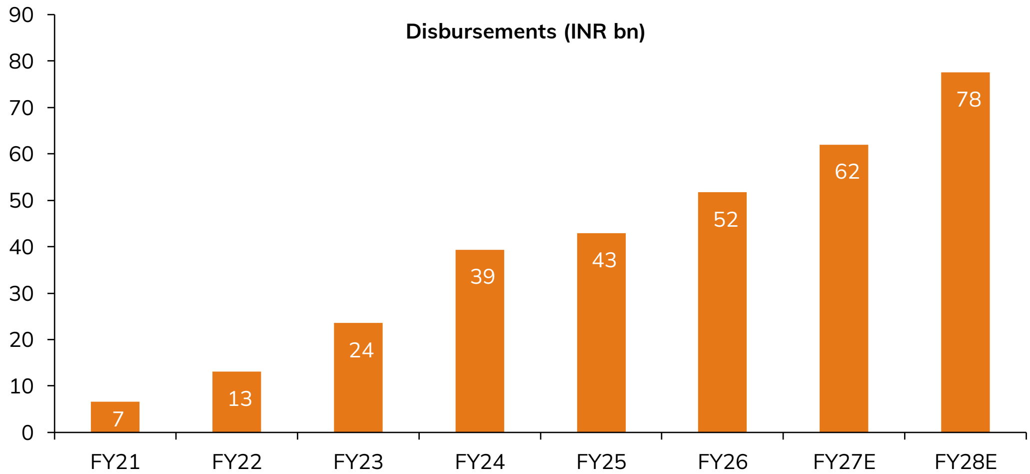
AUM growth moderated marginally in FY25 to 24% YoY, owing to borrower-level over-leveraging. This resulted in muted 9% YoY growth in disbursements, as it tightened credit filters to improve AQ. With subsiding stress in FY26, disbursements accelerated, growing by 20% YoY to INR 51.7bn. This revival led to 27% YoY AUM growth. Taking cognizance of steady AQ since Sep'25 and the consistent improvement in disbursements, we expect Aye to disburse INR 62bn in FY27E and INR 77bn in FY28E.

Furthermore, a shift in the AUM mix towards secured LAP is helping AUM growth, given its longer tenure, which drives the annual repayment rate lower. This shows in the repayment rate declining to 66% by FY26, from 80% in FY24. During the same period, the share of secured LAP increased to 22%, from 7%.

This steady increase in secured LAP loans is part of its strategy to diversify its asset mix. We view this shift as an important evolution in Aye's growth strategy, providing additional avenues for scaling the loan book while reducing concentration in a single product and leveraging the existing distribution network.

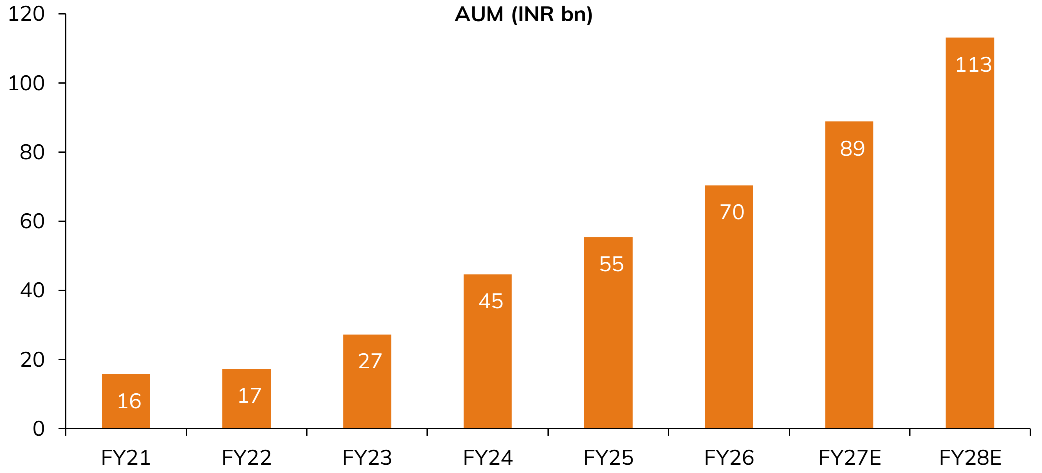
However, in the long run, Aye expects to maintain ~60–70% mix tilted towards hypothecation, ~30% for mortgage loans and rest ~10% towards newer products.

Exhibit 49: With subsiding stress, disbursements likely to accelerate over FY26–28E



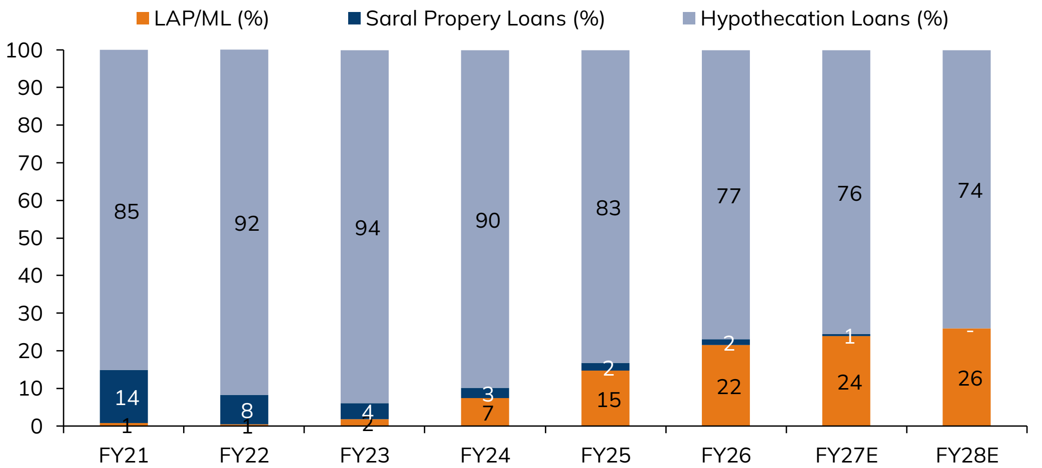
Source: Company data, I-Sec research

Exhibit 50: We expect ~27% AUM CAGR over FY26-28E



Source: Company data, I-Sec research

Exhibit 51: The share of secured LAP would continue to increase



Source: Company data, I-Sec research

Operating efficiency to drive earnings growth

Over the past few years, Aye's rapid branch and employee expansion has weighed on operating efficiency, as the company opted to invest initially to build the infrastructure required for its next leg of scale. Branches nearly tripled, growing from 211 in FY21 to 571 in FY26, reflecting a >20% CAGR, while the employee base expanded from ~3,900 to ~10,900 over the same period, with a similar >20% CAGR.

These investments have kept the opex base elevated, as newly added branches and employees take time to reach optimal productivity. However, with the branch network now substantially built out, we expect the focus to increasingly shift from expansion to sweating existing infrastructure, supporting operating leverage over the next few years.

We expect Aye's Opex to assets (calculated) to decline from ~9.6% in FY26 to ~8.6% in FY27E and a further to ~8% in FY28E, translating into >150bps of compression over the next two years. Importantly, improvement could largely be driven by productivity enhancement rather than cutting down on cost.

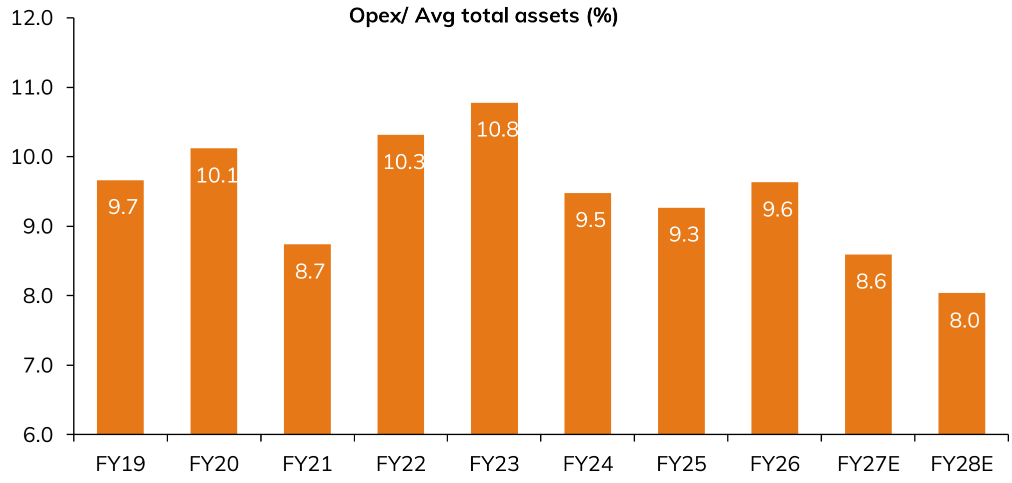
We expect branch additions (mostly splitting of branches) to moderate to ~40 branches each in FY27E and FY28E, compared to the historical 70–80 branch addition per annum until FY24, while employee additions also normalise to ~1,000 per year, allowing the existing branch and employee base to support a larger asset base.

As newer branches mature, fixed costs get absorbed over a larger customer and loan base, while improving employee productivity could further drive down the cost per unit of AUM. This is expected to also bring the calculated cost to income ratio below 50%, from 53.8% in FY26 to ~49% in FY27E and ~46% in FY28E.

Repeat lending provides an additional source of operating leverage. As of Jun'26, ~52% of Aye's HL AUM is sourced through repeat sales, highlighting the growing ability of its existing customer franchise to drive incremental business without a proportional increase in sourcing costs. We expect repeat loans to continually enhance the productivity of the existing branch network, with a larger share of growth originating from customers already within Aye's ecosystem.

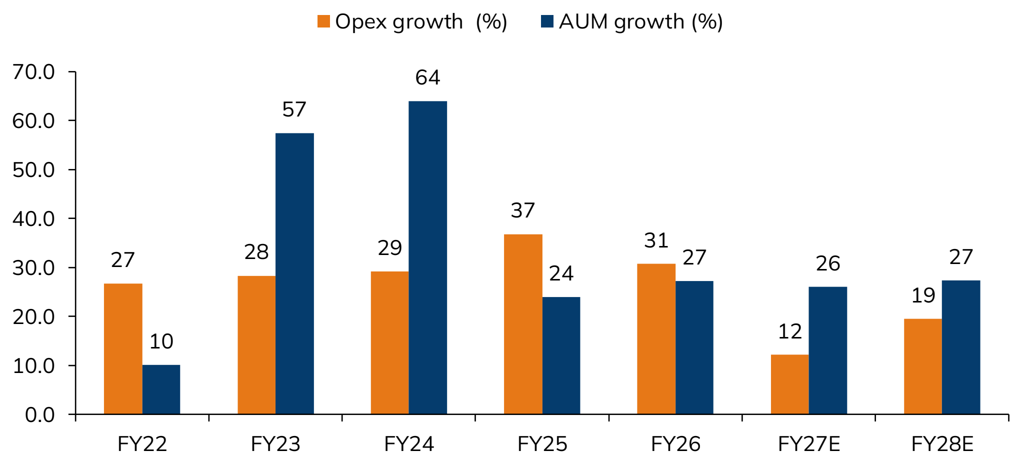
Specifically, tele-calling-led repeat conversion enables the company to source incremental loans without deploying additional field sales resources, allowing Aye to expand its loan book while keeping incremental operating expenses well contained.

Exhibit 52: Cost ratios likely to moderate by >150bps over FY27-28E



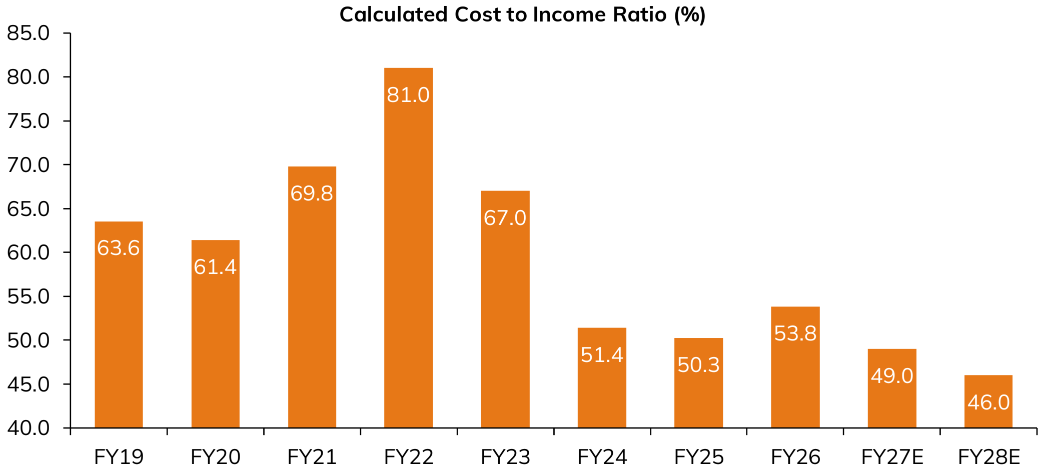
Source: Company data, I-Sec research
Note: Operating expenses calculated on average total assets

Exhibit 53: Efficiency led expansion; AUM growth set to outrun operating expenses



Source: Company data, I-Sec research

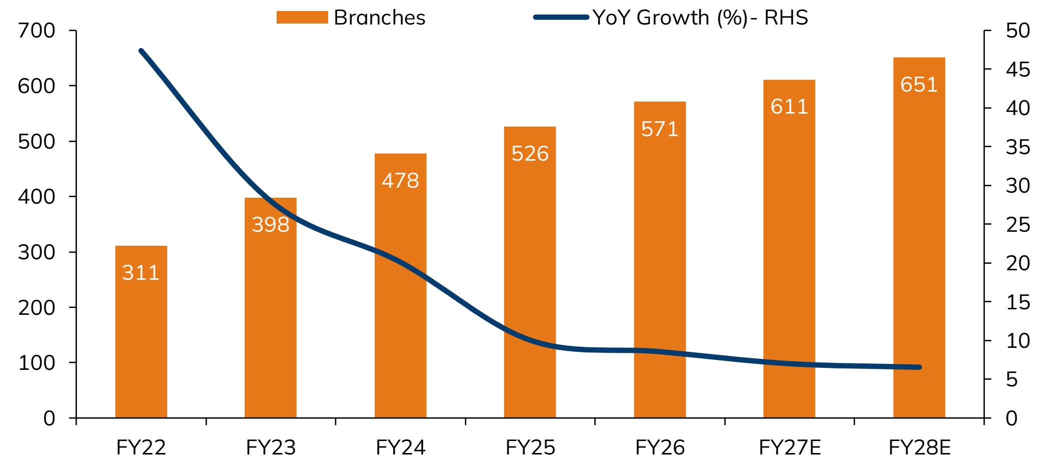
Exhibit 54: Calculated cost to income to improve to below 50% over FY27E/FY28E



Source: Company data, I-Sec research

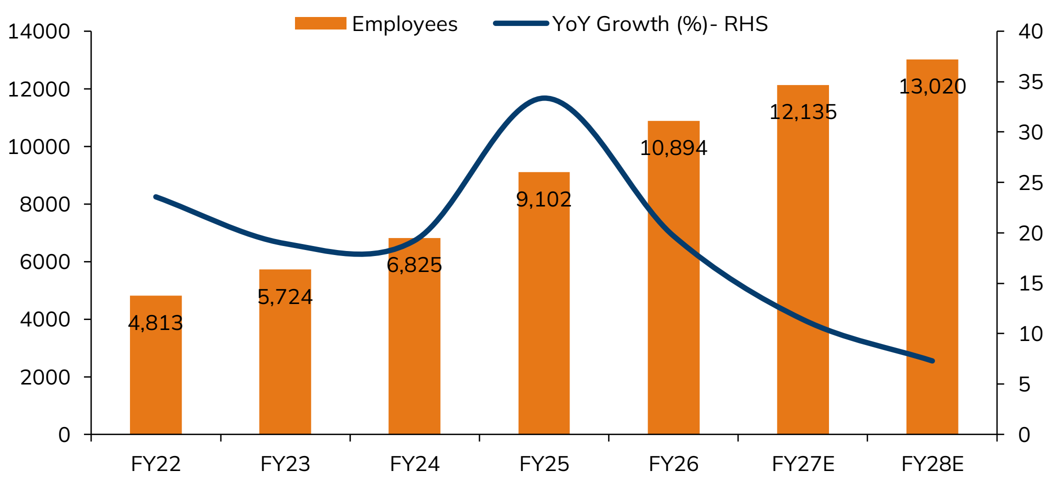
Note: Cost to Income is calculated as Operating expenses/ Total Income

Exhibit 55: New branch addition likely to be calibrated with focus on sweating existing infrastructure



Source: Company data, I-Sec research

Exhibit 56: New manpower addition to be limited 1,000 employees per year



Source: Company data, I-Sec research

Spreads to sustain at current level; margins likely to moderate due to increasing leverage and shift in AUM mix

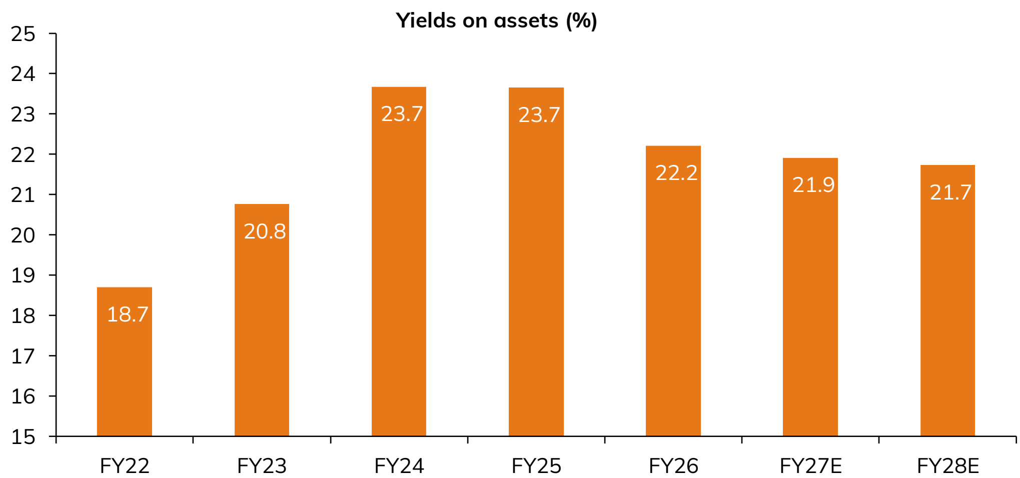
Aye's strategic focus on low-ticket MSME loans provides it with robust pricing power, enabling the company to secure superior yields of >22%. Its unique product proposition centred on hypothecated working capital loans. In this segment, competitive intensity is minimal, allowing the company to price risk effectively. Currently, hypothecated loans yield of ~27.5-28% and account for ~77% of AUM; while mortgage loans yield ~23.5% and comprise ~22% of AUM. Backed by a steady decline in borrowing cost to 10.9% in FY26, from 11.4% in FY24, the company has successfully maintained spreads of >11% over FY24–26.

Over the years, Aye has built a well-diversified borrowing profile across banks (~32%), financial institutions (~49%) and development financial institutions (~19%) as of Jun'26, effectively reducing its dependence on any single funding source. Strong lender relationships and upgraded credit rating of A+, from A, by India Ratings could support continued access to competitive funding. Moving forward, the overall borrowing cost is likely to improve further from ~11% in FY26 to 10.6%/10.3% in FY27E/FY28E. Incremental CoB stood at ~10.2% in Q1FY27, which is ~60bps below the blended cost, providing additional headroom for a lower CoB in the future.

Since FY24, Aye has incrementally focused on scaling its secured LAP portfolio to diversify its asset mix. Consequently, its share in total AUM increased to 22% by FY26, from 7% in FY24. Although, this shift toward mortgage loans is likely to compress blended yields due to a ~400bps differential yield between hypothecation and LAP loans, management aims to increase the secured LAP share to ~30% over the next three years.

As a result, blended yields are likely to moderate by 30–40bps cumulatively in FY27E/FY28E, with the share of mortgage loans expanding to ~26% of AUM, as of Mar'28E. Overall, NIMs (calculated on average total assets), are projected to decline marginally by ~20bps to ~14.5% by FY28E, from 14.7% in FY26. However, this yield compression will likely be offset by the ebbing CoF.

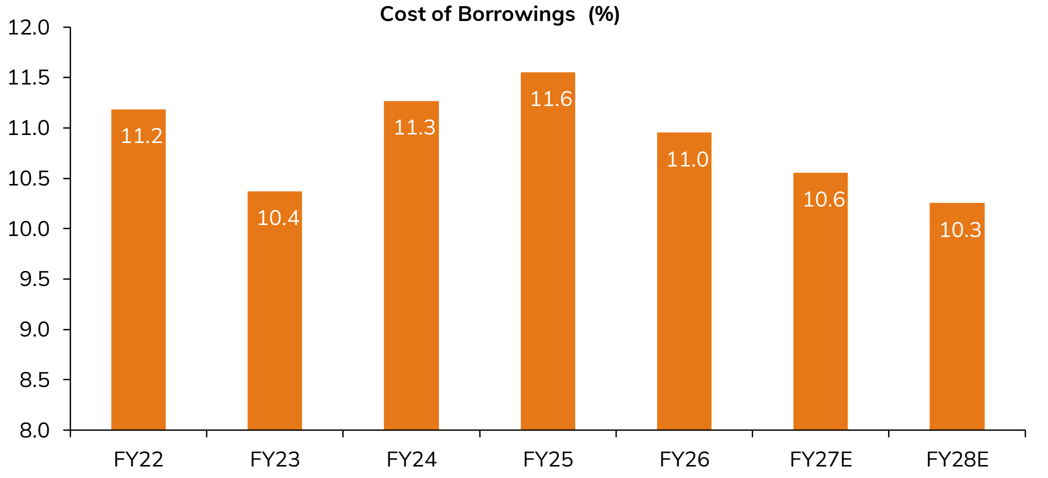
Exhibit 57: Overall asset yields to remain strong at ~22%; however, increasing share of secured LAP to marginally impact asset yields



Source: Company data, I-Sec research

Notes: Yield are calculated on average total assets

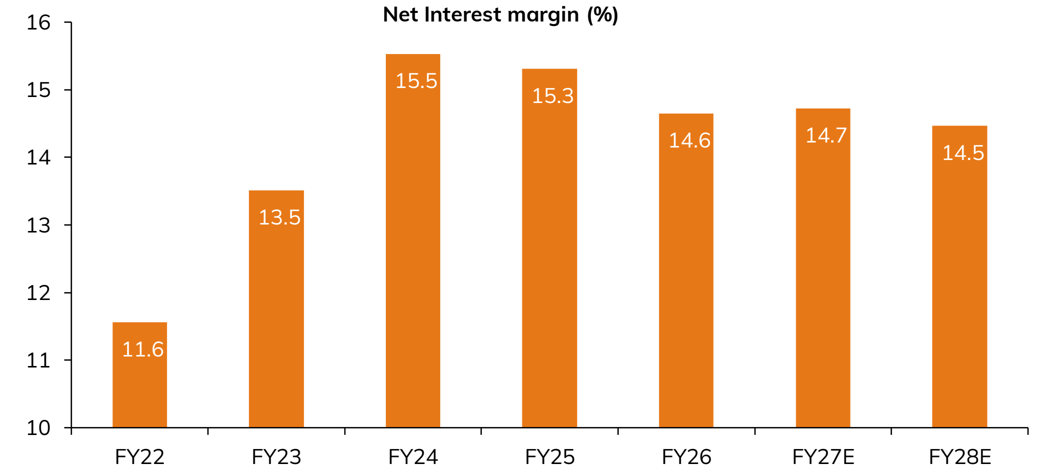
Exhibit 58: Credit rating upgrade and steady profitability improvement to drive borrowing cost lower ahead



Source: Company data, I-Sec research

Note: Cost of Borrowings is calculated as Interest cost/ Avg Borrowings

Exhibit 59: NIMs for FY27E to remain at the upper end of guidance, but we expect it to marginally moderate in FY28E due to increasing leverage and shift in AUM



Source: Company data, I-Sec research

Note: NIMs calculated on average total assets

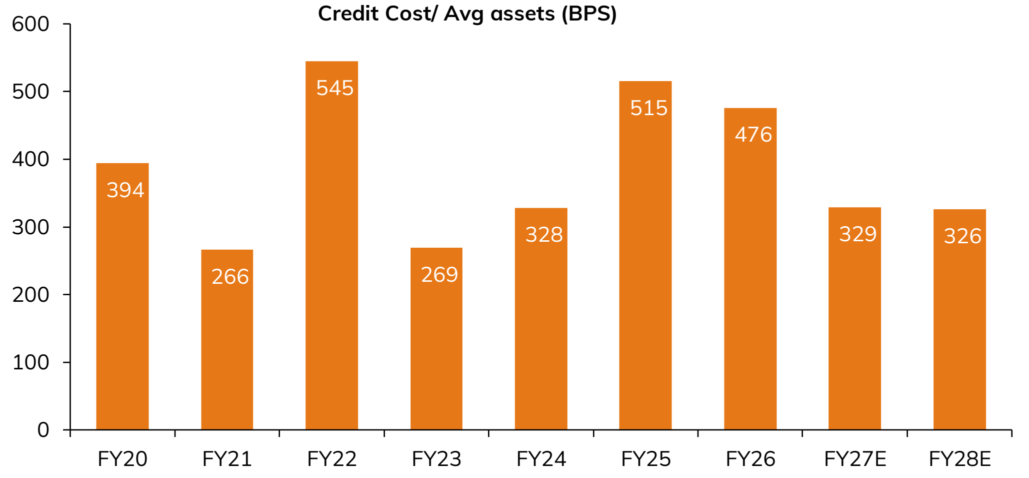
Credit cost: Improving trajectory to continue

We believe credit cost has peaked and is now on a downward trajectory, having already declined from ~5.2% in FY25 to ~4.8% in FY26 to ~4% in Q1FY27 on average AUM. Aye's historical credit cost trajectory demonstrates its structural resilience and ability to navigate industry-wide and portfolio-specific challenges.

Adjusting for Covid-19 related impacts, credit cost remained low at 1.6–1.8% in FY18–19, 2.7% in FY21 and ~3% in FY23/24. Although, stress from the latest industry-wide over-lending cycle drove credit costs to a peak of 5.2% in FY25, FY26 has already shown signs of moderation to 4.8% which highlights the strong portfolio resilience and a swift recovery capacity.

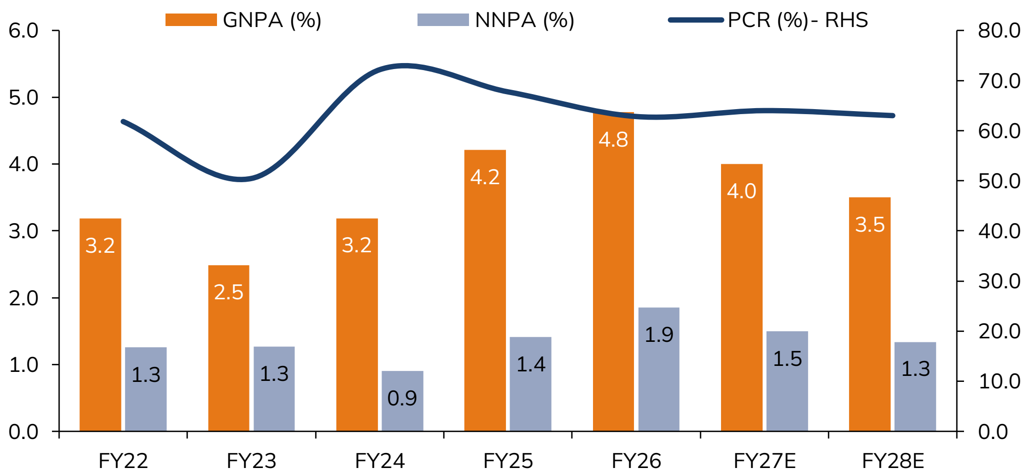
We expect credit cost to continue easing, underpinned by improving lead AQ indicators such as – 1) PAR-X having improved to 7% by Jun'26 (down from 8% in Jun'25); 2) PAR-30 was down to 6.1%, from 6.6%; and 3) Bucket-1 collection efficiency rising to >50%, from 43% over the same period. Subsiding stress also contributed to reported credit costs falling to 4% by Q1FY27 from a peak of >5% in Q1FY26. Notably, despite a steady increase in provision coverage across buckets – PCR on stage-3 increased to 63% by Q1FY27 vs. 57% in Q1FY26, stage-2 to 47%, from 42% and stage-1 to 65bps from 50bps – moderation in credit cost signals improving forward flows. Hence, we project calculated credit cost (on average assets) moderating to ~325bps in FY27E/FY28E.

Exhibit 60: Credit cost (calculated on avg. assets) to dip to ~326bps in FY28E



Source: Company data, I-Sec research

Exhibit 61: GNPA ratio to settle below 4% by FY28E; adequate PCR of >60% to be maintained



Source: Company data, I-Sec research

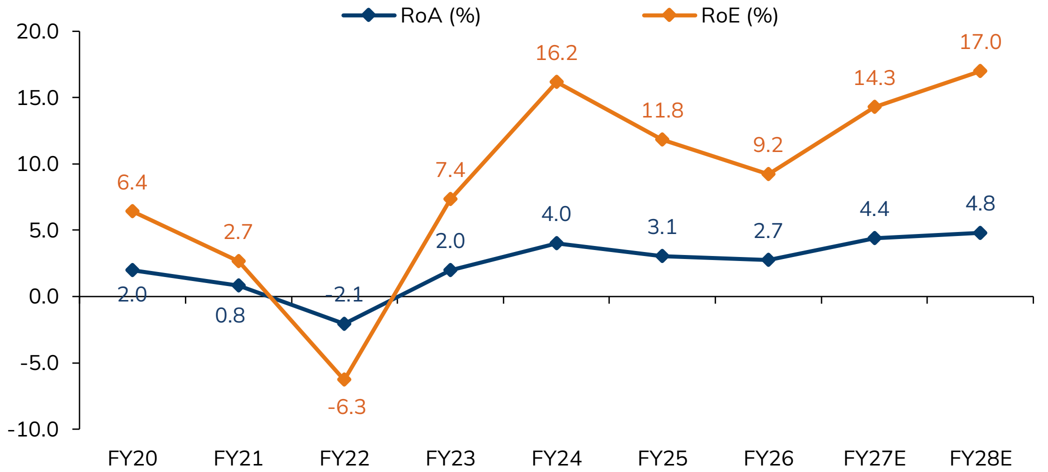
Likely to deliver PAT CAGR of >50% over FY26–28E; RoA/RoE expected to improve to ~4.8%/17% by FY28E

Aye is entering a strong earnings recovery phase, with PAT expected to grow at >50% CAGR over FY26–28E, driven by healthy AUM growth, continued credit-cost normalisation and operating leverage. We estimate PAT to increase from ~INR 1.9bn in FY26 to INR 5.4bn by FY28E, implying a sharp recovery in profitability as the benefits of scale increasingly flow through the P&L.

The improvement will also likely reflect in return ratios. RoA (calculated) has already recovered to ~2.7% in FY26 and is expected to improve to ~4.4% in FY27E and ~4.8% in FY28E; similarly, RoE (calculated) is expected to recover from ~9% in FY26 to ~14.3% in FY27E and ~17% in FY28E.

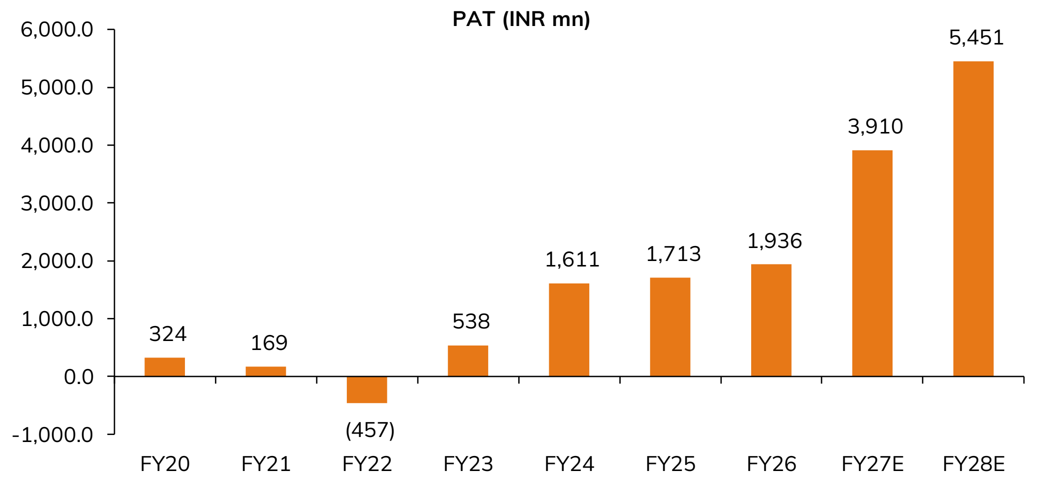
Historically, Aye has demonstrated structural resilience by delivering ~4% RoA (FY24), despite elevated opex exceeding >9% of assets. With both opex and credit costs now on a structural downtrend, we project sustainable RoA expansion above 4% threshold, placing it on track to hit these targets. Driven by AUM expanding at a >25% CAGR and a simultaneous, >50% PAT CAGR, we anticipate material RoA/RoE expansion that underscores a compelling high earnings trajectory over FY26–28E.

Exhibit 62: RoE/RoA to inch up to 17%/4.8% by FY28E



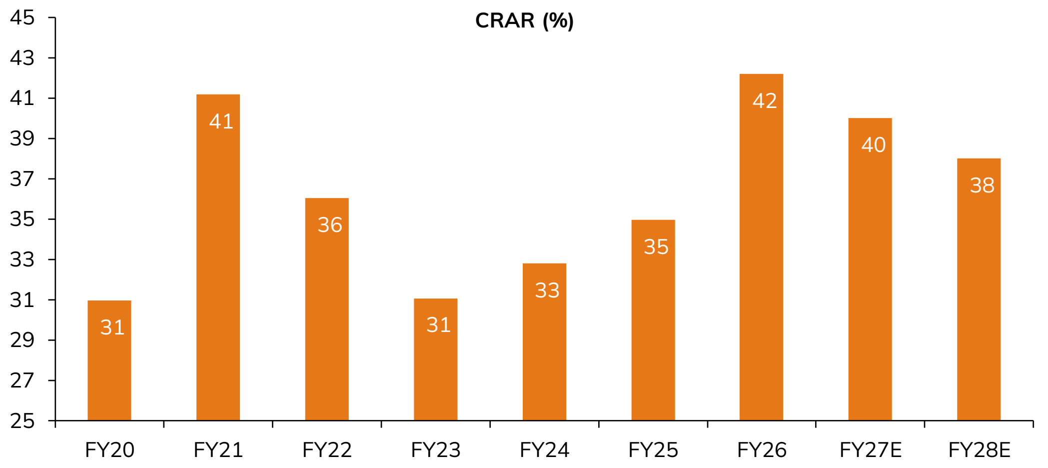
Source: Company data, I-Sec research

Exhibit 63: PAT likely to grow at >50% CAGR over FY26-28E



Source: Company data, I-Sec research

Exhibit 64: Adequate CRAR of >40% maintained



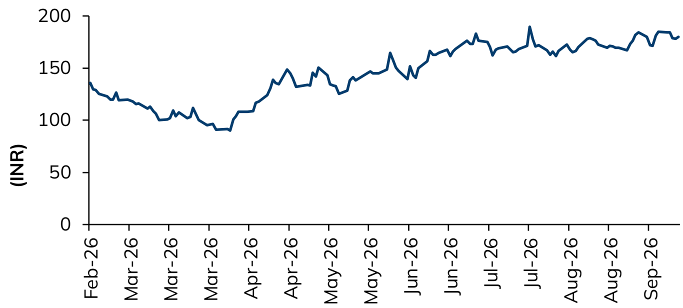
Source: Company data, I-Sec research

Exhibit 65: Shareholding pattern

%	Mar'26	Jun'26
Promoters	0.0	0.0
Institutional investors	38.0	36.2
MFs and other	5.8	6.3
Banks/ FIs	11.9	12.3
Insurance Cos.	1.6	1.9
FIIs	18.7	15.7
Others	62.0	63.8

Source: Bloomberg, I-Sec research

Exhibit 66: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 67: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26A	FY27E	FY28E
Interest Income	13,260	15,674	19,431	24,617
Net gain on fair value changes	381	390	289	555
Interest Expenses	(4,680)	(5,341)	(6,376)	(8,229)
Net Interest Income (NII)	**8,580**	**10,334**	**13,055**	**16,387**
Other Income	1,373	1,900	2,201	2,842
Total Income (net of interest expenses)	**10,334**	**12,624**	**15,545**	**19,784**
Employee benefit expenses	(3,796)	(4,948)	(5,527)	(6,540)
Depreciation and amortization	(222)	(263)	(407)	(698)
Other operating expenses	(1,177)	(1,583)	(1,684)	(1,861)
Total Operating Expense	(5,195)	(6,794)	(7,618)	(9,100)
Pre Provisioning Profits (PPoP)	**5,138**	**5,830**	**7,927**	**10,684**
Provisions and write offs	(2,888)	(3,357)	(2,914)	(3,696)
Profit before tax (PBT)	**2,250**	**2,473**	**5,013**	**6,989**
Total tax expenses	(537)	(537)	(1,103)	(1,537)
Profit after tax (PAT)	**1,713**	**1,936**	**3,910**	**5,451**

Source Company data, I-Sec research

Exhibit 68: Balance sheet

(INR mn, year ending March)

	FY25A	FY26A	FY27E	FY28E
Share capital	378	489	489	489
Reserves & surplus	16,206	24,838	28,799	34,300
Shareholders' funds	**16,584**	**25,327**	**29,288**	**34,789**
Borrowings	46,030	51,470	69,333	91,158
Current Liabilities and short-term provisions	768	932	979	998
Total Liabilities and Stakeholder's Equity	**63,381**	**77,729**	**99,600**	**126,945**
Cash and balance with RBI	11,379	10,111	12,121	15,432
Loans	**49,502**	**62,664**	**80,804**	**102,878**
Investments	418	1,581	1,616	2,058
Other Assets	2,083	3,373	5,059	6,577
Total Assets	**63,381**	**77,729**	**99,600**	**126,945**

Source Company data, I-Sec research

Exhibit 69: Key Ratios

(Year ending March)

	FY25A	FY26A	FY27E	FY28E
AUM and Disbursements (INR mn)				
AUM	55,340	70,440	88,795	113,053
On-book Loans	49,502	62,664	80,804	102,878
Off-book Loans	5,838	7,776	7,992	10,175
Disbursements	42,910	51,690	62,028	77,535
Repayments	32,200	36,590	43,673	53,277
Growth (%):				
Total AUM (%)	**24.0**	**27.3**	**26.1**	**27.3**
Disbursements (%)	8.9	20.5	20.0	25.0
Repayments (%)	46.6	13.6	19.4	22.0
Loan book (on balance sheet) (%)	23.7	26.6	28.9	27.3
Total Assets (%)	30.1	22.6	28.1	27.5
Net Interest Income (NII) (%)	37.9	20.4	26.3	25.5
Non-interest income (%)	50.1	30.6	8.7	36.4
Total Income (net of interest expenses) (%)	39.8	22.2	23.1	27.3
Operating Expenses (%)	36.8	30.8	12.1	19.5
Employee Cost (%)	37.9	30.3	11.7	18.3
Non-Employee Cost (%)	30.8	34.5	6.4	10.5
Pre provisioning operating profits (PPoP) (%)	43.0	13.5	36.0	34.8
Provisions (%)	119.8	16.2	(13.2)	26.8
PBT (%)	(1.2)	9.9	102.7	39.4
PAT (%)	6.3	13.1	102.0	39.4
EPS (%)	12.3	(12.6)	102.0	39.4
Yields, interest costs and spreads (%)				
NIM on loan assets (%)	19.2	18.4	18.2	17.8
NIM on IEA (%)	**14.5**	**14.0**	**14.4**	**14.3**
NIM on AUM (%)	17.2	16.4	16.4	16.2
Yield on loan assets (%)	29.6	27.9	27.1	26.8
Yield on IEA (%)	22.4	21.3	21.4	21.5
Yield on AUM (%)	26.5	24.9	24.4	24.4
Cost of borrowings (%)	11.6	11.0	10.6	10.3
Interest Spreads (%)	18.1	17.0	16.5	16.5
Operating efficiencies				
Non interest income as % of total income	0.6	0.6	0.6	0.6
Cost to income ratio	**50.3**	**53.8**	**49.0**	**46.0**
Op.costs/avg assets (%)	9.3	9.6	8.6	8.0
Op.costs/avg AUM (%)	10.4	10.8	9.6	9.0
No of employees (estimate) (x)	9,102	10,894	12,135	13,020
No of branches (x)	526	571	611	651
Salaries as % of non-interest costs (%)	73.1	72.8	72.6	71.9
NII /employee (INR mn)	0.9	0.9	1.1	1.3
AUM/employee (INR mn)	6.1	6.5	7.3	8.7
AUM/ branch (INR mn)	105.2	123.4	145.3	173.7
Capital Structure				
Average gearing ratio (x)	2.8	2.0	2.4	2.6
Leverage (x)	**3.8**	**3.1**	**3.4**	**3.6**
CAR (%)	34.9	42.2	40.0	38.0
Tier 1 CAR (%)	34.9	42.2	40.0	38.0
Tier 2 CAR (%)	-	-	-	-
RWA (estimate) - INR mn	40,941	52,038	67,101	85,432
RWA as a % of loan assets	82.7	83.0	83.0	83.0

Source Company data, I-Sec research

	FY25A	FY26A	FY27E	FY28E
Asset quality and provisioning				
GNPA (%)	4.2	4.8	4.0	3.5
NNPA (%)	1.4	1.9	1.5	1.3
GNPA (INR mn)	2,170	3,120	3,232	3,601
NNPA (INR mn)	700	1,160	1,164	1,296
Coverage ratio (%)	66.4	61.2	62.6	62.7
Credit Costs as a % of avg AUM (bps)	578	534	366	366
Credit Costs as a % of avg on book loans (bps)	645	599	406	402
Return ratios				
RoAA (%)	3.1	2.7	4.4	4.8
RoAE (%)	11.8	9.2	14.3	17.0
ROAAUM (%)	3.4	3.1	4.9	5.4
Valuation Ratios				
No of shares	**189**	**245**	**245**	**245**
No of shares (fully diluted)	189	245	245	245
EPS (INR)	9.1	7.9	16.0	22.3
EPS fully diluted (INR)	9.1	7.9	16.0	22.3
Price to Earnings (x)	19.7	22.6	11.2	8.0
Price to Earnings (fully diluted) (x)	19.7	22.6	11.2	8.0
Book Value (fully diluted)	88	104	120	142
Adjusted book value	84	99	115	137
Price to Book	2.0	1.7	1.5	1.3
Price to Adjusted Book	2.1	1.8	1.6	1.3

Source Company data, I-Sec research

Exhibit 70: Key Metrics

(Year ending March)

	FY25A	FY26A	FY27E	FY28E
DuPont Analysis				
Average Assets (INR mn)	56,056	70,555	88,665	113,272
Average Loans (INR mn)	44,767	56,083	71,734	91,841
Average Equity (INR mn)	14,472	20,955	27,307	32,038
Interest earned (%)	23.7	22.2	21.9	21.7
Net gain on fair value changes (%)	0.7	0.6	0.3	0.5
Interest expended (%)	8.3	7.6	7.2	7.3
Gross Interest Spread (%)	**15.3**	**14.6**	**14.7**	**14.5**
Credit cost (%)	5.2	4.8	3.3	3.3
Net Interest Spread (%)	**10.2**	**9.9**	**11.4**	**11.2**
Operating cost (%)	9.3	9.6	8.6	8.0
Lending spread (%)	**0.9**	**0.3**	**2.8**	**3.2**
Non interest income (%)	2.4	2.7	2.5	2.5
Operating Spread (%)	**3.3**	**3.0**	**5.3**	**5.7**
Tax rate (%)	23.9	21.7	22.0	22.0
ROAA (%)	**3.1**	**2.7**	**4.4**	**4.8**
Effective leverage (AA/ AE)	3.9	3.4	3.2	3.5
RoAE (%)	**11.8**	**9.2**	**14.3**	**17.0**

Source Company data, I-Sec research

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