AYE FINANCE LTD.

Vision & FAQs

Reinventing credit for India's micro enterprises

About Us

Aye Finance is a non-banking financial company – middle layer ("NBFC-ML") focused on providing loans to micro-scale MSMEs across India. Aye offers a range of business loans for working capital and business expansion needs, against hypothecation of working assets or against security of property to customers across manufacturing, trading, service and allied agriculture sectors. Aye is among the leading nonbanking financial companies providing business loans to the largely underserved micro-scale enterprises in India, across 18 states and 3 union territories. Aye offers small-ticket hypothecation loans (Average ticket INR 1.6 lakhs) as well as mortgage-based loans (Average Ticket INR 4.6 lakhs) for businesses. The Company's expertise in using customised data science approaches in underwriting business cash flows of a variety of business clusters has enabled it to maintain stable credit costs and to profitably scale up its operations.

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1. Founder's Note

Aye Finance's mission is to empower India's micro enterprises with innovative, customer-centric financial services.

Using effective technology, robust processes and a knowledgeable workforce, we provide working capital tailored to the needs of millions of underserved businesses, to power their growth into the new-age economy.

Aye Finance was founded by Mr Sanjay Sharma, to solve the problem of economic exclusion of India's micro enterprises, bringing to bear three decades of global lending experience and his academic grounding at IIT Bombay and IIM Bangalore.

In his own words:

"I returned to India in 2009 after a global career in banking, having built Tamweel PJSC into the largest housing finance company in the UAE and taken it public in an IPO oversubscribed more than 400 times. Over thirty years in financial services I was fortunate to do some of the formative work of my generation in consumer finance — leading the NRI business at HSBC, setting up direct banking and ATM network at HDFC Bank in 1996, building the operations backbone for retail lending and launching the credit card business at ICICI in 2000, championing service transformation for Standard Chartered-UAE, and running underwriting, claims and operations at Max New York Life. I had, in short, a career learning how to deliver financial services at scale.

When I came home, I wanted to put that experience to work on something that mattered. A brief stint at Ujjivan, took me to the very base of the pyramid and left a deep impression — these were borrowers with little on paper, but enormous fortitude. Around the same time, in 2010, the IFC published its study of India's micro and small businesses, and a single fact stayed with me: India had tens of millions of micro enterprises generating overwhelming majority of our non-farm jobs, and almost none of them could obtain a business loan.

As I looked closer, I noticed something that ran against everything my global career had taught me. The handful of lenders active in this space were providing loans against property, which mismatched with the short-term nature of a business need. The merit of the business — its cash flows, its order book, the bustle of its workshop — counted for little. I kept returning to one question: when a large corporate can raise debt on the strength of its cash flows, why should the kirana store owner, the shoe manufacturer in Agra or the dairy farmer in Gujarat be judged only by their self-owned house?

I did not see this as a failure of banks. For an institution underwriting a one-crore home loan, the economics of a one lakh working-capital loan simply do not add up. I saw it instead as an opening — a chance to reinvent lending for this borrower, using technology and data science from day one, to read a business that keeps no formal books. Small in ticket, but vast in scale. If India is to realise its demographic dividend, with a crore of young people joining the workforce each year, we must capitalise the micro enterprises that create their livelihoods. That conviction is why I started Aye Finance in 2014.

Six of us began by going to the field, sitting with the proprietors of more than 300 micro enterprises across six clusters and five towns — learning how a foundry priced its work, how a trader turned over stock, how a dairy ran its month. That understanding became a cluster-based method of underwriting that could estimate the cash flow of a business with thin or no credit history. In April 2014 we made our first loan. Today Aye serves micro enterprises through more than 570 branches and has disbursed over a million business loans.

We have built not a product but a platform that finances India's micro enterprise — one that begins with a working-capital loan, earns the right to lend again, and over time can meet a customer's wider needs as their business grows. My ambition for Aye is that it becomes the financial partner that grows alongside the micro entrepreneur — and, in doing so, helps reinvent how an entire segment of India is funded. That is why we exist, and it remains the most meaningful work of my career."

— Sanjay Sharma
Founder, Managing Director, Aye Finance Ltd

2. The Opportunity ahead of us

India is home to around 63 million micro enterprises. They generate close to 100 million of the country's ~110 million non-farm jobs and yet remain largely outside formal credit. IFC estimates an unmet MSME financing gap of over Rs 103 trillion, most of this gap is faced by micro enterprises.

The reason is economic rather than one of creditworthiness. Small tickets and a high cost-to-serve led most lenders to prioritise larger, collateral-backed credit. Even where the segment was served, it was the property a business owner happened to own that was underwritten, not the cash flows of the business itself.

We built Aye to solve for this borrower's reality - designing credit around how these businesses actually earn, grow and repay, rather than force-fitting models built for other markets. By underwriting the business itself, with technology, data science and deep cluster-level insight, we have disbursed over 1 million loans and have an active base of over 650,000 customers — still only a small fraction of those we are built to serve.

3. Our Market and Products

Who do we lend to, and for what?

Unorganised micro enterprises in manufacturing, trading, services and dairy. Typically, businesses with annual sales below Rs 1 crore that keep no formal books. We lend for income generation (working capital and expansion), not consumption.

What products do we offer?

Two secured products: Hypothecation Loans (~78% of AUM) and Mortgage Loans (micro-LAP, ~22%).

March 2026	AUM Mix %	Average Ticket	Tenure
Hypothecation Loans	78%	Rs 1.6 lakh	2 years
Mortgage Loans	22%	Rs 4.6 lakh	6 years

Hypothecation loan (HL) provides working-capital credit secured against a business's own assets and Mortgage loans (ML) are secured against property and provide longer tenure for repayments.

4. Our Business Model — and how it is Differentiated

We have purposefully constructed a unique operational framework that serves as the engine of our business and a defensible barrier to competition.

We underwrite the business, not the property.

The undocumented micro enterprise keeps no GST returns or formal accounts, so we read the operational signature of its industry cluster - inventory, machinery, production capacity, shop density, location etc. to estimate turnover and cash flow. This cluster-based method, built over a decade across 70+ business clusters, lets us lend to the merit of the business rather than the property, customer owns.

We specialize exclusively in the micro MSME space.

Most NBFCs, including micro-LAP players, lend across wage-earners and self-employed profiles besides businesses, wherever property collateral exists. We lend to the business itself, underwriting its cash flows rather than the owner's property. Our loans fund income generation, where larger micro-LAP loans often part-fund consumption.

Technology runs through the whole value chain.

Technology is not a layer on top of our business; it runs through every step of it. In distribution, our own field teams source directly (no DSAs), supported by data-science lead generation, digital KYC and geo-tagged field assessment. In underwriting, proprietary models screen applicants against bureau and cluster data, score credit risk and price repeat offers, and we have begun using GenAI and multimodal models that estimate a shop's sales from a few images and operational details. In collections, our models predict who is likely to miss a payment, who will self-cure and how best to engage with each customer, while ~96% of EMIs run on auto-debit mandates, most of the bounced payments are recovered digitally. Hosted largely on our own cloud, this keeps our cost to serve low and falling, and gives us tight control as we scale.

A phygital model that travels across geographies.

We pair technology-led underwriting with branch-based origination and collection — 'high-touch, high-tech'. Because we underwrite cash flows rather than property, the model is not just tied to state-specific property law or local valuation, so it travels: we operate across 18 states and 3 union territories, with no single state above 17% of AUM and the top five at ~57%. Physical presence builds trust with customers new to formal credit and protects sourcing quality and recoveries.

How does a typical branch look like?

A typical branch that offers Hypothecation Loans has 8 loan officers, supported by 1-2 Credit & Operations and a Branch Manager. When a branch grows and has over 700 customers, additional soft collector *(focused on regular customer)* is added to the branch. A hard collection*(focused on delinquent customer)* team is managed centrally, and field collections officers are deployed in a branch when there is sufficient load from overdue cases.

Our Mortgage Teams are managed like an independent channel. As on 1st Apr'26 this team is based out of 180 branches. In these locations, besides the above-mentioned Branch team, there is a separate Mortgage Loans team with its own Branch Manager, 4 Relationship Officers and 1 Credit Officer.

Credit that stays predictable through the cycle.

We lend for income generation, not consumption, so repayment tracks the borrower's own cash flows. Diversification across states, sectors and 70+ clusters — extended even to the branch level — has carried the portfolio through demonetisation, Covid and localised shocks without disruption. Our credit costs have stayed range-bound, with elevated readings confined to genuine system-wide stress.

A platform that compounds.

Hypothecation Loan is the start of the relationship, not the end of it. Business opportunities compound off this customer-acquisition and data engine. We have scaled repeat lending and extended into mortgage loans. Our customers also have demand for gold loans, two-wheeler loans and affordable-housing finance. Over time we intend to meet more of each customer's needs — which is where we are headed.

5. How do we underwrite?

How do we underwrite businesses that keep no books?

Through proprietary cluster-based underwriting: the operational signature of an industry cluster - inventory, machinery, production capacity, shop density, location — is used to estimate turnover and cash flow, built over a decade across 70+ business clusters and reinforced by field verification. Machine learning models further support this cluster-based income assessments which are evaluated and upgraded periodically.

Why is Hypothecation Loan credit centralised but Mortgage Loan credit decentralised?

Hypothecation is small-ticket and standardisable, so central sanctioning delivers consistency, fraud control and scale; Mortgage requires local property, legal and valuation judgment, so approvals sit closer to the field.

6. Technology across the value chain

How do we use technology in distribution and sourcing?

We source entirely through our own field teams — no DSAs or connectors — supported by data-science lead generation, digital KYC, geo-tagged field assessment and a largely paperless, cashless process.

How does technology drive our underwriting?

Proprietary models do the heavy lifting: an upfront bureau-screening model triages applicants in real time, a central credit-risk model scores delinquency risk, and a repeat-risk model prices and prioritises repeat offers. We also have successfully piloted GenAI and multimodal models that estimate a business's sales from store images and a few operational attributes.

How does technology improve our collections?

In collections, our in-house models (in use for over five years) predict who is likely to miss a payment, who will self-cure and how best to engage with each customer, while ~96% of EMIs run on auto-debit mandates, most of the bounced payments are recovered through UPI or other digital modes.

How are tech costs optimised?

Most core systems run on our own private cloud rather than third-party SaaS, keeping IT cost tightly controlled (currently below rupees 30 per customer per month). Automation reduces manual effort per loan, so our cost to serve falls as we scale.

7. Productivity and Unit Economics

How do small-ticket economics work?

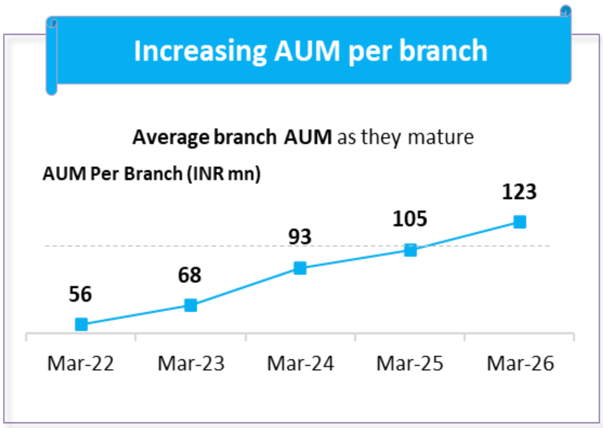
A standardised branch model plus heavy automation lets loan advisors originate 5+ loans a month in dense clusters. AUM per branch compounds with age - branches over four years old carry ~3x the AUM of those under two (average branch AUM is ~Rs 12 crore).

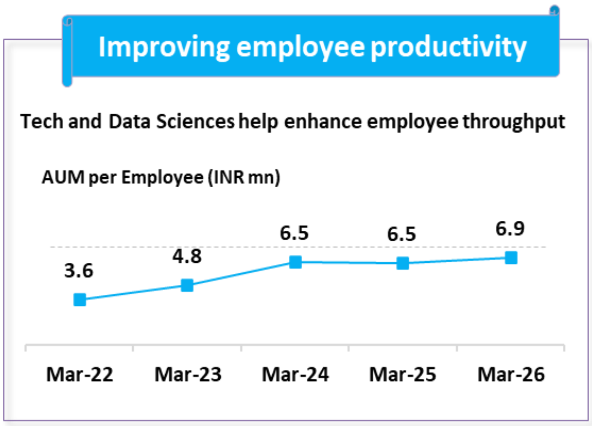
How significant are repeat loans?

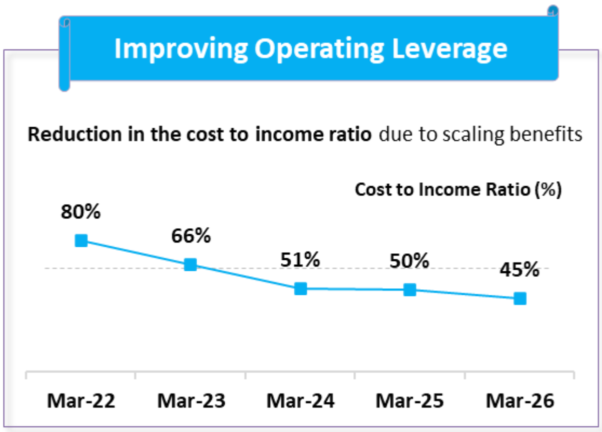
Repeat disbursement is one third of FY26 disbursements (~Rs 1,726 crore). It is offered only to customers with strong repayment behaviour and identified by our data-science models. Repeat loans are originated solely through our telesales team. A telesales originator produces ~Rs 1.8 crore a month against a field officer's ~Rs 8 lakh, sharply lowering the unit cost of origination.

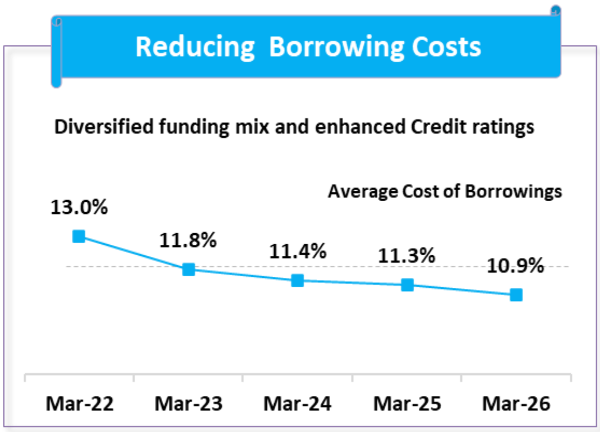
How does Operating leverage playout as our network matures

Our upfront investments in diversified distribution organisation and technology, is now delivering improving profitability as we scale up. As this leverage flows through, our cost-to-assets ratio is guided down from 9.6% in FY26 toward 8.25–8.75% in FY27 and 7.0–7.5% over three years.









Due to hiring of over 1,400 employees in the Mortgage Loans (ML) business, the figures for Mar25 are subdued

How dependent is growth on opening new branches?

Largely decoupled - most of our recent growth comes from the seasoned network rather than from new branch openings. Branches under two years old contributed only ~10% of FY26 AUM, with ~90% from branches over 2 years old. We plan to open 40 new branches (plus extensions) in FY27.

Why don't we use DSAs or connectors?

Direct sourcing preserves control over KYC, underwriting standards and fraud prevention, and reduces mis-selling.

What does our team look like?

10,894 employees across 571 branches with fully in-house origination. Voluntary attrition is among the lowest in the industry and falling. We have been repeatedly ranked among India's top 10 workplaces by 'Great Places to Work' surveys (GPTW rank 7 in 2026).

8. Credit Quality and Risk

How diversified is the portfolio?

Across 18 states and 3 UTs through 570+ branches, with no single state above 17% of AUM and the top five at ~57%; Diversification also is achieved by spreading the AUM over 70+ business clusters, which is extended to branch level.

How has it behaved through past shocks?

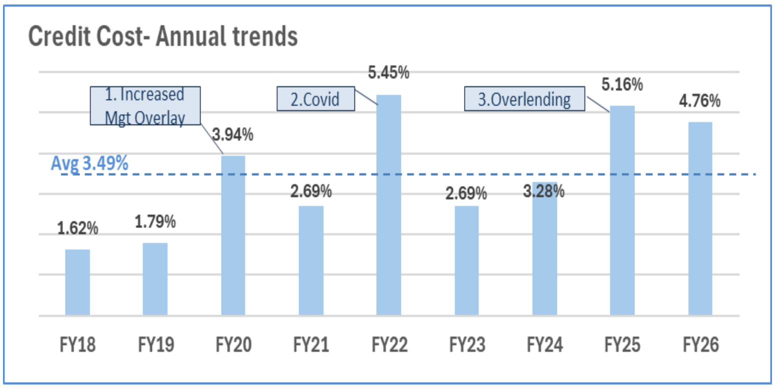
Diversification has absorbed demonetisation (trading), Covid (parts of manufacturing) and Lumpy Skin Disease in dairy (Gujarat and Rajasthan) without portfolio-level disruption.

Why has portfolio quality been relatively stable?

Lending is for income generation, so repayment is tied to business cash flows rather than household budgets. Livelihoods based on micro businesses have shown tremendous survivability historically. We benefit from this resilience of our target businesses. Supported by diversification and data-led collections, we have delivered lower volatility than seen in consumption-led lending.

How do credit costs behave through the cycle?

Range-bound: 4.76% in FY26, guided to 3.5–4.0% in FY27, with elevated readings (~5%) confined to system-wide stress — Covid (5.4%, FY22) and the recent industry over-lending cycle (5.2%, FY25).



How do we recover without repossessing working assets?

Hypothecation over business assets has served as a sufficiently strong collateral, as no businessman wants their businesses disrupted by overdue collectors. This can be seen in the 'on us – off us' analysis of delinquent customers. This shows that out of 100 defaulters (as seen in the credit bureau scrub of our customers) , 75 stay regular with us but default with others, only 3.5 default with us but stay regular with other lenders.

Tight upfront control of early delinquency, and for genuine distress a calibrated settlement approach through sustained engagement and selective legal remedies — recovering value while keeping principal concessions minimal and leaving the borrower's working assets in place.

Is there a seasonality in business?

Yes, there is a degree of seasonality in the business. Historically, Q4 has been the strongest disbursement quarter of the financial year. On the asset quality side, non-OD collection efficiency typically sees a marginal decline in Q1 compared to the peak levels achieved in March. Coupled with relatively slower AUM growth during Q1, this leads to a marginal increase in PAR X in the first quarter. However, as disbursement momentum and AUM growth pick up through the year and collection efficiencies normalize, PAR X correspondingly improves over the remaining quarters of the financial year.

On the profitability front, there is a similar seasonal pattern. Historically, H1 contributes around 40%–45% of the full-year profits, reflecting the skewness in disbursements, with a higher proportion of business being originated in H2, particularly in Q4.

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9. Funding, Capital and Governance

How are we funded, and is there an ALM mismatch?

Through a deliberately diversified lender base (bank borrowings ~34% of the mix; direct assignment at ~5.5% of AUM); the PSL-eligible book attracts leading banks. There is no cumulative ALM mismatch — 31-month average asset tenor against 2.5-3year borrowings.

How much headroom before we need fresh equity?

CRAR is 42% (entirely Tier I) with D/E 2.1x at Mar-26; we can grow to 3.5-4.0x D/E before requiring fresh equity, which is roughly two and half years of growth.

How much will the recent Credit Rating Upgrade help with the borrowing costs?

We were upgraded to 'A+ stable' rating by India Ratings in June 2026. This is expected to bring down our borrowing rates by 20-25 basis points for incremental borrowings over the year, if all other market parameters remain comparable.

Who owns the company, and how is it governed?

A founder-led company — founded and run by Sanjay Sharma — backed by a long-tenured base of high-conviction investors and overseen by an independent board of senior professionals. Our investors have reinvested round after round: Elevation (since 2015, and did not sell at the IPO), LGT, CapitalG (Google), AlphaWave, Maj, A91, BII, Waterfield and ABC Impact (Temasek Trust). With no single controlling promoter, board independence is structural; the FY26 statutory audit carried no adverse remarks and there is no material litigation beyond routine recovery cases. Aye listed on 16 February 2026.

10. Financials and outlook

What is the growth outlook?

AUM was Rs 7,044 crore at Mar-26 (+27% in FY26); guidance is 25–30% for FY27 and a 28–33% CAGR over three years.

What return profile can the business deliver through the cycle?

Even in a difficult credit vintage like FY26 — when an industry-wide over-lending cycle lifted credit costs — we still delivered an RoA of around 3%. In a normal year, as credit costs normalise, RoA can reach 5% or more, in line with management's guidance. And because operating costs are set to fall sharply — opex-to-assets is guided down from 9.6% in FY26 toward 7.0–7.5% over three years — the whole return band should shift up: through the cycle we would expect RoA of roughly 4–6%, in both weaker and stronger years, against about 3–5% before.

Key metrics at a glance *(As of 31 March 2026)*

AUM (Mar-26)	**Rs 7,044 crore**	AUM growth (FY26)	**27%**	Portfolio (HL / ML)	**78% / 22%**
Active customers	**6.5 lakh**	Branches	**571 (18 states, 3 UTs)**	Employees	**10,891**
Portfolio yield	**~24%**	NIM (FY26)	**14.6%**	Cost of borrowing	**10.9%**
Opex / ATA	**9.6%**	Credit cost / ATA	**4.76%**	RoA	**3.08%**
CRAR (Tier I)	**42%**	D/E	**2.06x**	Listed	**16 Feb 2026**

Guidance FY27 and 3-year Vision

	FY27 Guidance	3 Year Vision (FY29)
AUM (Growth %)	**25-30%**	**28-33%**
Opex/ATA	**8.25-8.75%**	**7.0-7.5%**
Credit Cost	**3.5-4.0%**	**3.25-3.5%**
Return on Total Assets	**4-4.5%**	**4.0-5.0%**

11. Where We Are Headed

Our ambition is to become the platform that finances India's micro enterprise. At our current pace, we anticipate our book reaching approximately Rs 24,000 crore within five years, which is more than three times its current size. We plan to achieve this through two primary strategies:

- Deepening our reach: Expanding further into our existing segments across established geographies and clusters.
- Widening our offerings: Leveraging existing hypothecation loan relationships and data to responsibly introduce additional products, such as gold loans and affordable housing.

Today · FY26	Within five years
Rs 7,044 crore	**~Rs 24,000 crore**

Illustrative ambition at our recent growth rate — not a forecast or guidance.

None of this asks us to become a different company. It is the same borrower, the same cluster insight, the same technology and the same network — doing more, for more people. From the start we chose to solve for Bharat's realities — building credit around how its businesses actually earn, grow and repay, rather than force-fitting solutions designed for other markets. That remains our work, and we are only getting started.

All numbers are as of Mar'26

Safe Harbor

This document includes certain forward-looking statements. These statements are based on management's current expectations or beliefs and are subject to uncertainty and changes in circumstances. Actual results may vary materially from those expressed or implied by the statements herein due to changes in economic, business, competitive, technological and/or regulatory factors. The Company is under no obligation to, and expressly disclaims any such obligation to, update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

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