

India Ratings Assigns Aye Finance's Additional NCDs 'IND A-'/Stable; Affirms Existing Ratings

Jan 16, 2023 | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has taken the following rating actions on Aye Finance Private Limited (Aye):

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Long-Term Issuer Rating	-	-	-	-	IND A-/Stable	Affirmed
Non-convertible debentures (NCDs)*	-	-	-	INR1,000	IND A-/Stable	Assigned
NCDs*	-	-	-	INR 6488.3 (reduced from INR7,808.3)	IND A-/Stable	Affirmed
Long-term bank loans	-	-	-	INR3,000	IND A-/Stable	Affirmed
Commercial paper (CP)	-	-	Up to one year	INR500	IND A2+	Affirmed
Principal protected market-linked debenture (PP-MLD)^*	-	-	-	INR2,100	IND PP-MLD A-emr/Stable	Affirmed

^The suffix 'emr' denotes the exclusion of the embedded market risk from the rating. The rating of the market-linked debentures is an ordinal assessment of the underlying credit risk of the instrument and does not factor in the market risk that investors in such instruments will assume. This market risk stems from the fact that coupon payment on the instrument will be based on the performance of a reference index or equity share (detailed in the information memorandum of the issue). PP-MLD refers to full principal protection in the equity-linked notes, wherein the issuer is obligated to pay the full principal upon maturity.

*Details in Annexure

Key Rating Drivers

For the detailed rationale, please click [here](#).

Rating Sensitivities

Positive: Expansion in franchisee, increased diversification along funding sources across banks, with sustained asset quality metrics and benefit of operating leverage improving profitability buffers, along with maintaining of capital buffers will be key triggers for a rating upgrade.

Negative: The following developments, individually or collectively, could lead to a negative rating action:

- non-availability of external funding or growth capital,
- a rise in leverage above 4.0x due to weakening of asset quality or otherwise,
- weakened operating performance,
- significant deterioration in the asset quality with sustained rise in net non-performing assets to above 3%.
- deterioration in liquidity buffers (minimum three months' buffers to be maintained)

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on Aye, either due to their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

Company Profile

Aye is a non-banking finance company that commenced operations in 2014, with an objective to tap the underpenetrated segment of micro and small businesses. The company follows a cluster-based approach, with 318 branches across 21 states as on 30 September 2022.

FINANCIAL SUMMARY

Particulars	FY22	FY21
Total assets (INR billion)	23.1	21.3
Total equity (INR billion)	7.1	7.4
Net profit/loss (INR billion)	-0.5	0.169
Equity/assets (%)	30.6	34.9
Gross NPAs (%)	3.3	3.3
Leverage (x)	1.4	1.8
Tier-1 ratio (%)	36	42.2
Source: Ind-Ra; Aye		

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Rating History

Current Rating/Outlook				Historical Rating/Outlook							
Rating Type	Rated Limits (million)	Rating	16 November 2022	26 August 2022	23 March 2022	1 February 2022	16 March 2021	5 August 2020	16 March 2020	20 November 2019	6 Nov 20
Long-term	-	IND A-Stable	IND A-Stable	IND A-Stable	IND A-Stable	IND A-Stable	IND A-/Stable	IND A-Stable	IND A-Stable	IND BBB+/Stable	IND BBB+

Long-term	INR7,488.3	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND BBB+/Stable	IND BBB+
Long-term	INR3,000	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND A-/Stable	-	
Short-term	INR500	IND A2+	IND A2+	IND A2+	IND A2+	-	-	-	-	-	-	
Long-Term	INR2,100	IND PP-MLD A-emr/Stable	IND PP-MLD A-emr/Stable	IND PP-MLD A-emr/Stable	IND PP-MLD A-emr/Stable	-	-	-	-	-	-	

Annexure

ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook
INE501X07232	8 December 2020	10.7	13 May 2024	INR0.08	IND A-/Stable
INE501X07174	29 November 2019	12.9	29 November 2022	INR1,070	WD (Paid in full)
INE501X07067	28 March 2018	12.59	28 March 2023	INR300	IND A-/Stable
INE501X07182	31 March 2020	12.75	31 March 2023	INR580	IND A-/Stable
INE501X07190	22 May 2020	13.5	22 May 2023	INR250	IND A-/Stable
INE501X07042	29 August 2017	13.5	29 August 2023	INR440	IND A-/Stable
INE501X08032	6 March 2019	12.14	6 March 2024	INR200	IND A-/Stable
INE501X07166	8 November 2019	12.5	8 November 2024	INR414	IND A-/Stable
INE501X07125	26 June 2019	13	26 June 2025	INR350	IND A-/Stable
INE501X07257	21 December 2021	10.2	21 June 2025	INR222.216	IND A-/Stable
INE501X08057	28 February 2022	11.35	15 March 2025	INR375	IND A-/Stable
INE501X08040	28 September 2021	11.50	31 December 2022	INR250	WD (Paid in full)
INE501X08065	29 March 2022	11.25	30 April 2023	INR100	IND A-/Stable
INE501X07265	24 March 2022	Coupon linked to 3M TBILL LINKED	24 March 2024	INR250	IND A-/Stable
INE501X07299	29 July 2022	11.16	28 July 2027	INR310	IND A-/Stable
INE501X07315	20 September 2022	11.20	20 September 2027	INR260	IND A-/Stable

INE501X07331	13 September 2022	11.00	8 March 2028	INR654.50	IND A-/Stable
INE501X07349	15 November 2022	11.85	15 November 2027	INR310	IND A-/Stable
INE501X07364	6 December 2022	11.75	31 July 2025	INR150	IND A-/Stable
INE501X08073	13 December 2022	12.13	31 December 2024	INR234	IND A-/Stable
Limit utilised				INR5,399.80	
Limit unutilised				INR2,088.5	
Total				INR7,488.3	

ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook
INE501X07273	25 March 2022	Coupon linked to the official 10-year GSEC linked	25 September 2023	INR150	IND PP-MLD A-emr/Stable
INE501X07281	25 March 2022	Coupon linked to the official 10-year GSEC linked	25 March 2024	INR150	IND PP-MLD A-emr/Stable
INE501X07307	5 September 2022	Coupon linked to the official 10-year GSEC linked G-Sec 2032 IN0020210244	5 March 2024	INR500	IND PP-MLD A-emr/Stable
INE501X07323	28 September 2022	Coupon linked to the official 10-year GSEC linked G-Sec 2030 IN0020200070	27 March 2024	INR250	IND PP-MLD A-emr/Stable
INE501X07356	5 December 2022	Coupon linked to the official 10-year GSEC 2032 ISIN: IN0020210244	5 June 2024	INR1000	IND PP-MLD A-emr/Stable
Limit utilised				INR2,050	
Limit unutilised				INR50	
Total				INR2,100	

Bank wise Facilities Details

[Click here to see the details](#)

Complexity Level of Instruments

Instrument Type	Complexity
NCDs	Low

Bank loans	Low
CP	Low
PP-MLDs	High

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

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APPLICABLE CRITERIA

Evaluating Corporate Governance

Financial Institutions Rating Criteria

Non-Bank Finance Companies Criteria

The Rating Process

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