RATING RATIONALE

12 Jan 2026

Avanse Financial Services Limited

Brickwork Ratings reaffirms the rating for the NCDs (unsecured subordinated debt) amounting to Rs 50.00 Crores and withdraws the rating for secured NCDs amounting to Rs 40.00 Crores (present outstanding nil) on account of full redemption of Avanse Financial Services Limited.

Particulars:

Instruments**	Amount Rs. Crs.		Tenure	Rating^	
	Previous	Present		Previous (13-Jan-2025)	Present
Secured NCD	40.00	**0.00**	Long Term	BWR AA-/Stable (Reaffirmed)	**Withdrawn**
Unsecured Subordinated Debt	50.00	**50.00**		BWR AA-/Stable (Reaffirmed)	**BWR AA-/Stable (Reaffirmed)**
Total	90.00	**50.00**	**Rupees Fifty Crores Only**		

^Please refer to BWR website **www.brickworkratings.com/** for the definition of the ratings

*** Details of Bonds are provided in Annexure-II*

Please Note- *The rated amount stands reduced to Rs 50 Crores post the last review, on account of redemption as confirmed by the Debenture trustee and disclosed by the company to stock exchanges. The redeemed NCD details are provided in Annexure-II.*

RATING ACTION / OUTLOOK: REAFFIRMATION/ STABLE/WITHDRAWAL

Brickwork Ratings (BWR) withdraws the rating for the secured Non-Convertible Debentures (NCD) amounting to Rs 40.00 Crores (present outstanding nil), on account of redemption in full at its maturity and reaffirms the long-term rating at BWR AA-/Stable for outstanding unsecured Subordinated Debt of Rs.50.00 Crores of Avanse Financial Services Ltd. ('AFSL' or the 'Company') as tabulated above.

The Withdrawal of Rating of secured Non-Convertible Debentures (NCD) amounting to Rs.40.00 Crores (present outstanding nil), raised in two tranches of Rs. 15.00 Crores and Rs.25.00 Crores were redeemed in full at its maturity on 31 July 2025 and 7 Aug 2025 respectively. The redemption at maturity was confirmed by the Debenture Trustee and disclosed by the Company to the stock exchange. Withdrawal of Rating is in compliance with BWR Rating Withdrawal Policy.

The reaffirmation of the rating continues to factor in the strong capitalisation position, availability of adequate liquidity, backed by strategic institutional investors, and steady growth in

AUM. BWR draws comfort from the company's established track record in the International Education Loan segment within the non-banking landscape. While taking note of growth in the portfolio, the proportionate share of the unsecured book has been increasing over the years, the company's gross stage 3 assets ratio marginally weakened during FY26 till Sep 2025 to 0.34% from 0.26% as of 31 Mar 2025 and 0.24% as of 30 Sep 2024 although it was maintained below 1% levels, and expected to continue at similar levels. BWR notes a marginal weakening in the gross stage 1, stage 2 and stage 3 asset book, which shall be monitorable over the near term. The seasoning of the portfolio and its impact on the asset quality as the portfolio matures shall be monitorable.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: (For the outstanding unsecured subordinated debt issues aggregating to Rs 50 Crores)

The instruments rated by BWR are listed, as redeemable instruments in the nature of subordinated non-convertible debentures, raised for a tenor of 10 years with a fixed coupon rate payable annually. The unsecured subordinated debt instruments were raised under multiple series. The details of unsecured subordinated debt are captured in Annexure II of the rationale.

KEY RATING DRIVERS

Credit Strengths:

Comfortable Capitalisation profile bolstered by capital infusions by institutional investors:

- The company continues to maintain a comfortable capital adequacy position. The Capital to Risk-Weighted Assets Ratio (CRAR) stood at 21.02% as of 30 Sep 2025, marginally lower than 22.44% as of 31 Mar 2025; however, it remains well above the minimum regulatory requirement of 15% for NBFCs, thereby providing adequate headroom to support future growth. The company's net worth has also exhibited steady accretion, increasing to Rs 4,417.15 crore as of 30 Sep 2025 from Rs 4,082.62 crore as of 31 Mar 2025. This has supported an improvement in the capital structure, with the gearing ratio moderating to 3.65x as of 30 Sep 2025 from 3.49x as of FY25.

- The company is promoted by Olive Vine Investment Ltd, an affiliate of Warburg Pincus, and benefits from a strong institutional shareholder base that includes the International Finance Corporation (IFC), Alpha Investment Company LLC, Kedaara Capital, Mubadala Investment Company, and Avendus Future. Continued support from promoters and investors through periodic capital infusions has enabled the company to steadily strengthen its net worth. Although the company may not proceed with an initial public offering, it raised Rs 1,200 crore during FY26 through a rights issue subscribed by existing shareholders, including Warburg Pincus, Kedaara Capital, and Mubadala, thereby further supporting its capitalisation.

Consistent Growth in the AUM leading to improvement in the profitability:

- The company has demonstrated strong and consistent growth in its loan portfolio over the past few years. Its Assets Under Management (AUM) grew at a strong CAGR of 40.67% from FY22 to FY25, reaching Rs.18,985 crore as of FY25. This growth momentum continued, with AUM increasing further to Rs.21,713 crore as of 30 September 2025, reflecting rising demand and the company's strengthening market position in the education loan segment. The primary driver of this growth has been the international education loan segment (80.4% of overall portfolio), which expanded by 46.66% to Rs.15,725 crore as of 31 Mar 2025, and further increased to Rs.17,460 crore as of 30 Sep 2025.

- In line with the expansion in AUM and the increased scale of operations, the company's profitability has continued to improve. In H1FY26, net profit grew by 10.51% to Rs 267.65 Crores, supported by a 32.11% increase in interest income to Rs 1,201.92 crore, compared to Rs 909.81 crore in H1FY25. For FY25, the company reported a significant improvement in profitability, with net profit increasing by 47.19% to Rs 504.23 crore, from Rs 342.57 crore in FY24. This was mainly supported by a 39.51% growth in interest income over FY24. Consequently, the company's Return on Assets (RoA) improved to 2.65% in FY25, compared to 2.39% in the previous year, reflecting improved operating leverage and profitability despite some margin moderation.

Credit Risks-:

Portfolio Concentration inclined towards the unsecured book and geographical concentration across overseas nations:

- Being an education loan–focused NBFC, the Company is inherently exposed to portfolio concentration risk. As of 31 Mar 2025, overseas education loans constituted 80.4% of the total loan portfolio of Rs 18,985 crore, with the concentration remaining largely stable as of 30 Sep 2025. The average tenure of overseas education loans ranges between 10 and 12 years. The company also provides loans with tenure exceeding 12 years, which elevates long-term credit risk. Furthermore, these loans are predominantly unsecured and are exposed to geopolitical and regulatory developments in the destination countries.
- As of 30 Sep 2025, the Company's overseas education loan portfolio stood at Rs 17,460 crore, of which 41.45% was to students pursuing education in the United States (US) and 40.05% to students pursuing education in the United Kingdom (UK), indicating significant geographic concentration between two nations. In March 2025, the proportion

of loans to students pursuing education in US was 47% and in UK was 34.07%, of the total overseas education loan portfolio of Rs.15,275 crore

- During the current year FY26, there was a hike in visa fees announced for the job seekers in the United States of America (US), and an immediate subsequent clarification from the U.S. Citizenship and Immigration Services (USCIS) which had eased the concern. However, given the uncertainty, there was a substantial decline in the number of Indian applicants to the US universities, and the company's loan portfolio to the US segment remained fairly stagnant,with a marginal increase from Rs.7196 crores as of 31 Mar 2025 to Rs.7238 Crores as of 30 Sep 2025. There has been an increase in the Stage 1 and Stage 2 book of the loan book to the US segment during H1FY26, and shall be monitorable. The Company however, was able to grow its overall loan book from the exposure to other countries, mainly the United Kingdom (UK) by ~Rs.1800 Crores and India (EIL and domestic segment) by ~Rs.550 Crores, during the first half of FY26. The seasoning of the portfolio and its impact on the asset quality as the portfolio matures shall be monitorable.
- The Company's loan portfolio remains predominantly unsecured (76:24 as of 30 September 2025), offset by strong asset quality with Gross NPAs of 0.16% in the overseas education segment, an 81% provision coverage ratio, and robust underwriting practices. The company's underwriting model comprehensively covers student-centric factors, including employability prospects, the nature of courses, and the reputation of colleges and universities, among others, which ultimately enhances the objectivity of the proposals, which supports the enhancement in collection efficiency and asset quality improvement. Further the effective collections has supported low delinquency levels.

ANALYTICAL APPROACH - STANDALONE

To arrive at its ratings, BWR has evaluated AFSL's risk profile on a standalone basis. BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the company's ability to improve the earnings profile and asset quality while maintaining portfolio growth will be key rating sensitivities.

Positive:

- Ability to further scale up the operations while improving the asset quality of the portfolio
- Diversification of the portfolio decreases the dependency on the core business segment.

Negative

- Deterioration in the asset quality having Gross NPA ratio above 3%.
- Increase in the gearing above 5x levels

BRICKWORK RATINGS

LIQUIDITY POSITION - ADEQUATE

As of 30 Sep 2025, the company had cash and bank balance of Rs. 465.85 crores and liquid investments of Rs. 268 crores. During H1FY26, the average monthly collections were ~ Rs.160 Crores and projected cash inflows from collections of Rs.1946 Crores for FY26. The Company generally has a high proportion of prepayments to total collections, providing liquidity support. During H1FY26, prepayments were Rs. 1328 Crores and FY25 were Rs.1905 Crores. As per ALM as of 30 Sep 2025, the company's cash outflows for next the 12 months were Rs 4744 Crores, against which the availability aforesaid inflows and collections seems adequate to meet its near term repayment obligations.

The Company also had undrawn sanctioned credit lines of Rs.862 crore as of 30 Sep 2025. The company's Liquidity Coverage Ratio (LCR) stood at 249.46% as of 30 Sep 2025, above the regulatory minimum requirement of 100%, indicating its capacity to meet short-term liquidity needs. The overall liquidity profile seems comfortable, with no negative cumulative mismatches observed across maturity buckets up to 1 year as per the Asset–Liability Management (ALM) statements dated 30 Sep 2025.

COMPANY PROFILE

Avanse Financial Services Limited (AFSL) was initially formed in August 1992 and was known as Abhivruddhi Holdings Private Limited (AHPL). Dewan Housing Finance Corporation Limited (DHFL) (80%) and International Finance Corporation (IFC) (20%) bought a 100% stake in AHPL in July 2012 and changed the company's name to Avanse Financial Services Private Limited (AFSPL) and commenced education loan business from January 2013. In March 2019, as part of the strategic decision, the existing promoters divested their entire stake in the company to M/s. Olive Vine Investment Limited, an affiliate of the Warburg Pincus. AFSL is a Systemically Important Non-Deposit-taking Non-Banking Financial Company registered with the RBI and is engaged in the business of providing education loans for the purpose of higher studies, both in India and abroad, and also provides education infrastructure loans. The company has established its presence in financing overseas students and is also diversifying into other segments of education financing, including loans to educational institutions and students pursuing courses through edutech platforms

KEY FINANCIAL INDICATORS – Standalone

Key Parameters	Units	FY 24 Audited	FY 25 Audited	H1FY26 Unaudited (Reviewed)
Asset Under Management	Rs in Crores	13303.04	18985	21713
Total Income	Rs in Crores	1728.81	2350.79	1371.21
PAT	Rs in Crores	342.57	504.23	267.65
Net Worth	Rs in Crores	3644.82	4082.62	4417.15
Gearing Ratio	Times	2.76x	3.49x	3.65x
CRAR	%	27.52	22.44	21.02
Gross NPA ratio	%	0.43	0.26	0.34
Net NPA ratio	%	0.13	0.04	0.06

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY:
No outstanding non-cooperation rating with other Credit Rating Agencies.

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

S. No	Facilities	Current Rating (Jan 2026)			Rating History		
		Type	Amount Outstanding (Rs in Cr)	Rating	2025 13 Jan 2025	2024 15 Jan 2024	2023
1	Secured NCD	Long Term	0.00	Withdrawn	BWR AA- / Stable (Reaffirmed) (Rs 40 Cr)	BWR AA-/Stable (Upgraded with revision in Outlook from Positive to Stable) (Rs 40 Crs)	Not Rated
2	Unsecured Subordinated NCD	Long Term	50.00	BWR AA- / Stable (Reaffirmed)	BWR AA- / Stable (Reaffirmed)	BWR AA-/Stable (Upgraded with revision in Outlook from Positive to Stable)	Not Rated
	Total		**50.00**		**Rupees Fifty Crores Only**		

Hyperlink/Reference to applicable Criteria:

- [General Criteria]
- [Approach to Financial Ratios]
- [Banks and Financial Institutions]
- [BWR Withdrawal Policy]

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Avanse Financial Services Limited
ANNEXURE I

Details of Bank Loan Facilities rated by BWR: NA

Lender Name	Type of Facility	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs)	Total (Rs. Crs)	Complexity Level#
NIL	NIL	NIL	NIL	NIL	NIL	NIL

 # For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

ANNEXURE II

(NCD/Bonds/CP/FDs) DETAILS

Instruments / Series	Issue Date	Amount last rated Rs Crs	Amount O/s Rs crs	Coupon Rate	Maturity Date	ISIN Particulars	Complexity *
NCD 001	31-Jul-2015	25.00	0.00	10.10%	31-Jul-2025	INE087P07022	Simple
NCD 003	7-Aug-2015	15.00	0.00	10.10%	7-Aug-2025	INE087P07048	Simple
Sub Debt Series 2	30-June-2017	25.00	25.00	9.50%	30-Jun- 2027	INE087P08020	Complex
Sub Debt series 3	27-Dec-2017	25.00	25.00	9.35%	27-Dec-2027	INE087P08038	Complex
Total		**90.00**	**50.00**	**Rupees Fifty Crores Only**			

Note: The NCD series 001 and 003 aggregating to Rs 40.00 Crs were redeemed on maturity (31 July 2025 and 7 Aug 2025) as confirmed by the Debenture Trustee Catalyst

***For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf**

COMPLEXITY LEVELS OF THE INSTRUMENTS:
NCD- Simple
Subordinated Debt- Complex

ANNEXURE-III

List of Entities Consolidated - None

Name of Entity	% ownership	Extent of consolidation	Rationale for consolidation
NA	NA	NA	NA

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