

November 27, 2025

Avanse Financial Services Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial paper	100.00	100.00	[ICRA]A1+; reaffirmed
Total	100.00	100.00	

*Instrument details are provided in Annexure I

Rationale

The rating factors in Avanse Financial Services Limited's (Avanse) strong presence in the education loan sector, which has supported the increase in its scale of operations. The assets under management (AUM) stood at Rs. 21,713 crore as on September 30, 2025 (overseas education loans stood at 80.4%). The rating also considers the extensive experience of Avanse's senior management team and the underwriting process, supported by the wide database of universities and placements. This has supported the asset quality with a low gross stage 3 (GS3) level of 0.3% as on September 30, 2025 and minimal average credit costs of 0.4% (annualised) in the last four years (FY2022-FY2025) despite the Covid-19 pandemic.

Avanse's capitalisation remains comfortable with a net worth of Rs. 4,439 crore and a managed gearing of 4.1 times as on September 30, 2025. While the AUM has grown significantly in the past four years, capitalisation was supported by the consistent track record of capital infusions. The company raised total equity Rs. 2,490 crore during FY2020-FY2024. Further, it is looking to raise equity capital in the near term, which will support the growth in the medium term. Driven by the increase in the scale of operations, the profitability has improved with a return on average managed assets (RoMA) of 2.8% (annualised) in FY2025 (2.7% in FY2024 and 2.0% in FY2023), partly aiding internal capital generation.

Apart from being unsecured, education loans have inherent risks, given their long tenures, moratorium period and exposure to economic cycles impacting employment opportunities. Moreover, these loans are largely given to students opting for foreign universities, leading to geopolitical risks. Further, the portfolio is geographically concentrated with the United States, the United Kingdom (UK) and Canada accounting for 91.6% of Avanse's overseas education loan portfolio as on September 30, 2025. Portfolio seasoning remains limited as recent disbursements account for a large share of the portfolio which also means a high share of AUM will be under principal moratorium. ICRA, however, notes the increase in the share of overseas education book under EMI to ~20% as on September 30, 2025 (~15% as on March 30, 2025). Further, ICRA draws comfort from the company's asset quality track record with 90+ days past due (dpd) of 0.5% for the overseas education loan portfolio disbursed during FY2015-FY2022, which has exited the moratorium period. Additionally, the 90+ dpd for the overseas education loan segment remained at 0.16% as on September 30, 2025. Avanse's ability to grow its portfolio while maintaining the asset quality and capitalisation profile will be a key monitorable.

Key rating drivers and their description

Credit strengths

Established presence in overseas education loan segment – Avanse is the second-largest non-banking financial company (NBFC) in the education loan segment with expertise in the overseas education loan segment. Overseas education loans accounted for 80.4% of the total AUM as on September 30, 2025 with education infrastructure loans¹ (EILs) accounting for

¹ EIL loans are collateral-backed funding for private K-12 schools for infrastructure development, working capital, and related needs

16.3%. The AUM expanded at a strong pace with a 3-year compound annual growth rate (CAGR) of 57.3% to Rs. 18,985 crore as on March 31, 2025. The book grew further to Rs. 21,713 crore as on September 30, 2025.

The senior management team has significant experience in the financial services sector. The company has a large database of universities, courses and placement details across the world, which helps in risk assessment and credit appraisal. The focus remains on the potential income of the student upon course completion and their ability to service the education loan.

Supported by credit underwriting process, Avanse has reported good asset quality indicators with a GS3 of 0.3% as on September 30, 2025 (0.4% as on March 31, 2024). Portfolio seasoning remains limited as recent disbursements account for a large share of the portfolio and the same will be under principal moratorium. However, ICRA draws comfort from the asset quality track record with a 90+ dpd of 0.5% for the overseas education loan portfolio disbursed during FY2015-FY2021. Further, cumulative write-offs in the overseas education loan portfolio remained limited at ~Rs. 30 crore since inception. Similarly, the asset quality of EILs, which accounted for 16.3% of the AUM as on September 30, 2025, was comfortable with GS3 of 0.7% and limited cumulative write-offs of ~Rs. 9 crore since inception. The ability to maintain the asset quality through business cycles, given the strong growth in recent years, will remain monitorable.

Capitalisation supported by equity infusions – Avanse's capitalisation remains comfortable with a net worth of Rs. 4,439 crore as on September 30, 2025, a reported capital adequacy ratio (CAR) of 21.0% (Tier I ratio – 20.4%) and a managed gearing of 4.07 times. While the company has grown significantly in the past four years, capitalisation was supported by the consistent track record of capital infusions. Avanse raised total equity of Rs. 2,490 crore during FY2020-FY2024. Of this, Rs. 300 crore was extended by Warburg Pincus (promoter) and International Finance Corporation (IFC) in FY2020, Rs. 390 crore via a rights issue subscribed by Warburg Pincus and IFC in FY2023, Rs. 800 crore by Kedaara Capital during FY2023 to FY2024 and Rs. 1,000 crore by Mubadala and Avendus in FY2024. While the company has decided not to proceed with the initial public offer of equity shares plan at this point of time, the company is looking at raising substantial fresh equity in the near term which will support the medium-term growth while ensuring a managed gearing of less than 5 times.

Avanse's borrowing from banks and financial institutions, which accounted for ~55% of the overall borrowings as on September 30, 2025, remains diversified across various public and private sector banks and financial institutions. In addition, the company has borrowings in the form of non-convertible debenture (NCD) issuances, external commercial borrowings (ECBs) and subordinated debt.

Earnings profile supported by improving scale of operations and moderate credit costs – The company reported healthy profitability in FY2025 with RoMA of 2.8% (2.7% in FY2024 and 2.0% in FY2023), supported by strong net interest margins (NIMs), enhanced operating efficiency with the higher scale of operations and improved credit costs. It reported a RoMA of 2.4% in H1 FY2026. With the rise in the scale of operations, the operating efficiency is likely to improve further. ICRA expects the profitability to remain comfortable, supported by the decline in operating expenses and continued moderate credit costs.

Credit challenges

Exposure to relatively risky education loans with longer tenures and initial moratorium period – The company's loan book is dominated by education loans, which are largely unsecured in nature, but with a specified and monitored end use unlike personal loans. The portfolio has limited seasoning with a high share of recently disbursed loans. Accordingly, a sizeable part of the portfolio is under principal repayment moratorium. While partial interest payment is done during the moratorium period, it is a nominal amount. Further, these loans are extended for a long tenor of more than 10 years, though the actual tenor, on behavioural basis, could be lower.

As the education loans are mainly extended for education outside India, Avanse remains exposed to geopolitical risks and immigration-related issues. Further, the portfolio remains geographically concentrated with the US, the UK and Canada accounting for 41%, 39% and 10%, respectively, of the education loan segment as on September 30, 2025. Thus, the portfolio stays exposed to economic conditions in these geographies, which could impact the students' employment prospects.

The overseas education segment experienced uncertainty following the announcement of a one-time fee of USD 100,000 for new H-1B visa applications in the United States. However, subsequent official clarifications have provided greater transparency and alleviated uncertainties regarding the implementation of this fee for the students in the universities across US. With this clarity, the announced fee will have no impact on Avanse.

ICRA draws comfort from the fact that almost the entire overseas education loan book catered to postgraduate courses as on September 30, 2025. Applicants in these courses have higher prospects of gaining employment compared to undergraduates, partially mitigating concerns regarding their repayment ability.

Liquidity position: Adequate

As on September 30, 2025, the company held Rs. 1,090 crore of cash and liquid investments along with Rs. 857 crore of unutilised bank lines against total debt (including interest repayments) of Rs. 2,737 crore scheduled to mature in the next six months (i.e. until March 2026). Liquidity is further supported by monthly inflows of Rs. 600-650 crore from the loan book. The company has positive cumulative mismatches in the less than 1-year buckets.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Pressure on the rating could arise in case of an increase in the managed gearing beyond 5 times or a deterioration in the asset quality indicators, impacting earnings on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Non-banking Finance Companies (NBFCs)
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidated

About the company

Avanse Financial Services Limited is a non-deposit taking NBFC registered with the Reserve Bank of India, focussed on education financing for students in India and abroad, as well as loans to educational institutions. Incorporated in 1992 as Abhirudhi Holdings Private Limited, it was renamed Avanse in 2014. Initially owned by Dewan Housing Finance Corporation Limited (DHFL), International Finance Corporation (IFC) acquired a 20% stake in 2013. After DHFL's exit in 2019, Olive Vine Investment Limited, an affiliate of private equity funds managed by Warburg Pincus LLC, acquired a 79.67% stake, steering Avanse toward a pure-play education finance model.

Since then, Avanse has raised significant growth capital: Rs. 300 crore in FY2020 and Rs. 390 crore in 2022 from Warburg and IFC, followed by Rs. 600 crore from Kedaara Capital in January 2023 and Rs. 200 crore in May 2023. In March 2024, Mubadala Investment Company and Avendus invested Rs. 1,000 crore. As on September 30, 2025, Olive Vine held a 59.32% stake in the company. Other shareholders include Kedaara Capital, IFC, Mubadala, and Avendus. Avanse's AUM stood at Rs. 21,713 crore, as on September 30, 2025, reflecting its strong position in the education finance segment.

Key financial indicators

Avanse Financial Services Limited*	FY2024	FY2025	H1 FY2026
Total income	1,729	2,352	1,371
PAT	342	502	268
Total managed assets	15,250	20,744	23,092
Return on managed assets	2.7%	2.8%	2.4%
Managed gearing (times)	3.0	3.9	4.1
Gross stage 3	0.4%	0.3%	0.3%
CRAR	27.5%	22.4%	21.0%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Based on consolidated financials for FY2024 and FY2025; standalone financials for H1 FY2026

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Nov 27, 2025	Chronology of rating history for the past 3 years			
				FY2025	FY2024	FY2023	
Commercial paper	Short term	100	[ICRA]A1+	Nov-29-2024	[ICRA]A1+	Nov-15-2023	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial paper	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
Not yet placed^	Commercial paper	-	-	-	100.00	[ICRA]A1+

Source: Avanse; ^ Yet to be issued

Annexure II: List of entities for combined analysis with consolidated analysis

Company name	Ownership	Consolidation
Avanse Global Finance IFSC Private Limited	100%	Full consolidation

Source: Avanse

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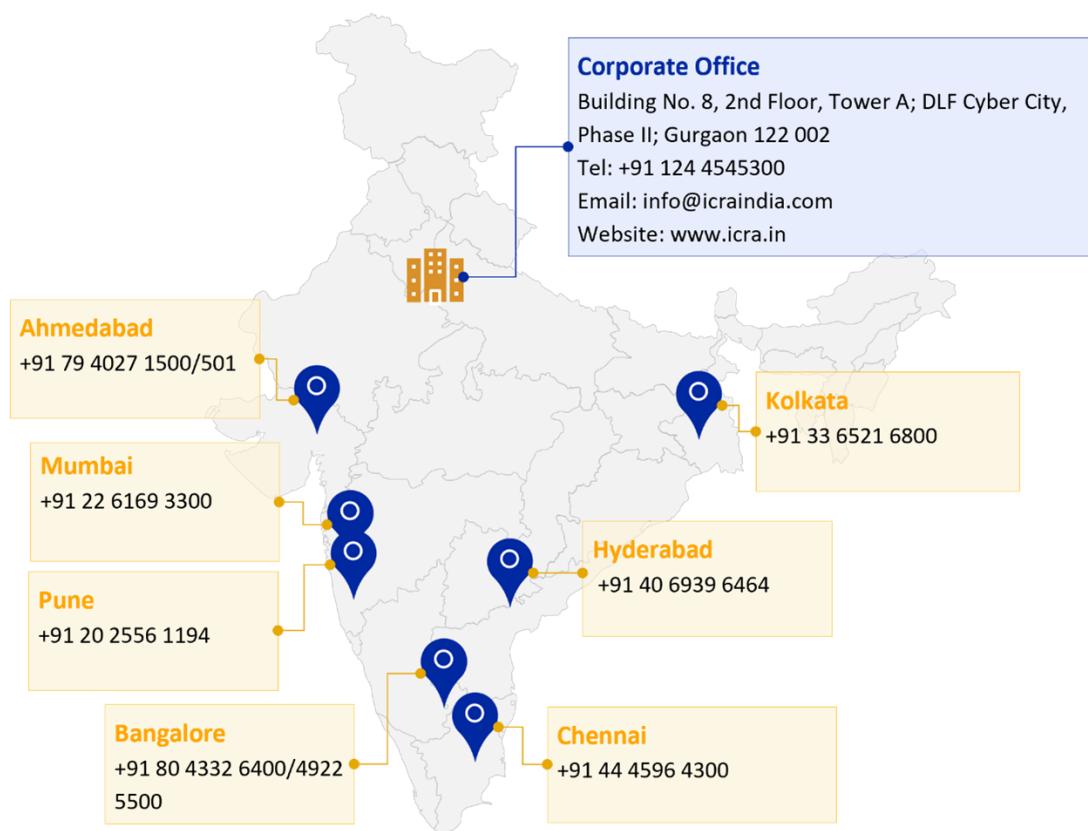
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