

India Ratings Assigns Avanse Financial Services's Additional CP 'IND A1+'; Affirms NCDs and Bank Loans at 'IND AA'/Stable

Jun 03, 2026 | Avanse Financial Services Ltd. | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has taken the following rating actions on Avanse Financial Services Ltd's (AVANSE) debt instruments:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating Assigned along with Watch/Outlook	Rating Action
Commercial paper	-	-	7 to 365 days	INR7,500	IND A1+	Assigned
Commercial paper	-	-	7 to 365 days	INR2,000	IND A1+	Affirmed
Non-convertible debentures*	-	-	-	INR25,000	IND AA/Stable	Affirmed
Bank loan facilities	-	-	-	INR65,000	IND AA/Stable	Affirmed

* Yet to be issued

Analytical Approach

Ind-Ra continues to take a standalone view of AVANSE to arrive at the ratings.

Detailed Rationale of the Rating Action

The ratings reflect AVANSE's market leadership, with the company being the second-largest player in the student loan - international segment, its established track record of scaling up, and its profitable operations. The company has been maintaining comfortable capitalisation levels, with a proven track record of regular capital infusions from marquee shareholders. The ratings also factor in AVANSE's experienced management and its diverse funding profile.

The ratings are constrained by product concentration risk, as AVANSE primarily focuses on specialised lending for the student loans - international (SLI) segment, which remains exposed to unfavourable policy changes in the US, which is its key geography (accounts for about 29.2% of the total assets under management (AUM), though the share of non-US geographies has improved in the last two years). The concentration risk is partially mitigated by the increasing proportion of the company's educational institution loan portfolio (EIL) and domestic education loan segment.

There is potential asset-side risk, given the moderate seasoning of the book, due to the high-growth phase witnessed during FY23-FY26 (scale grew by 2.7x during this period). Furthermore, about 59.4% of the total AUM was under principal moratorium at end-March 2026, reflecting the typical structure of education loans, wherein repayments begin only after the study period and an additional grace period.

As the proportion of EMI paying book increases with seasoning, the company's ability to sustain asset quality and effectively manage collections will be a key monitorable.

List of Key Rating Drivers

Strengths

- Established franchise with specialised capabilities
- Adequate capitalisation to grow franchise supported by internal accrual and capital raise

- Diversified funding profile
- Adequate pre-provisioning operating profit (PPOP) buffers
- Experienced management

Weaknesses

- High percentage of moratorium in overseas loans leading to limited seasoning

Detailed Description of Key Rating Drivers

Established Franchise With Specialised Capabilities: AVANSE is the second-largest non-banking financial company (NBFC) in the student loans – international segment. As on 31 March 2026, AVANSE's portfolio comprised SLI, EIL, education loans – domestic (ELD), and others. SLI, primarily for science, technology, engineering, and mathematics (STEM) and MBA courses, accounted for 78% of the AUM; EIL, which provides funding to schools with a minimum operating vintage of three years, contributed 18%; ELD represented 2%; and the remaining 2% came from other segments. Post a substantial capital infusion of INR9.9 billion in FY23, AVANSE has demonstrated its ability to achieve scale-up of its lending book. The company's AUM grew by 2.71x to INR234 billion in March 2026 from INR86.5 billion in March 2023, driven by an increase in the number of students going abroad, inflation in education spends in INR terms (including rupee depreciation), and increasing finance penetration. Ind-Ra expects AVANSE's AUM to grow at a CAGR of 20%-25% over FY27-FY28. The company has seen a strong growth in the EIL and ELD business demand, which partially offsets the moderate growth in the SLI business.

AVANSE has a clear niche advantage due to its specialised underwriting model for overseas education loans; within this business, the SLI segment is largely unsecured, and repayment ability depends on the future earnings potential of the student. While the contractual tenor of these loans is higher, the behavioral tenor of these loans is much lower. In the SLI segment, the company assesses borrowers based on academic history, university quality, course-level employment prospects, and economic conditions in destination countries. AVANSE's enterprise risk management systems support this approach through ongoing monitoring of external market conditions, periodic customer data reviews, credit bureau checks on co-borrower, and early-warning analytics. The requirement for partial or full interest servicing during the study period allows for continuous performance tracking and early identification of stress. These practices help to maintain asset quality despite the inherent risks in the product, including a two-year gestation period and exposure to job-market conditions in key geographies such as the US and Canada. Furthermore, the company continues to focus and grow business in other countries, considering the slowdown in the flow of students to the US.

Adequate Capitalisation to Grow Franchise Supported by Internal Accrual and Capital Raise: AVANSE derives strength from its marquee shareholders and their demonstrated track record of capital infusions, which drive the company's growth prospects. The company is backed by strong private equity players such as Olive Vine Investment Limited, which is an affiliate of Warburg Pincus Group (59.32% holding at end-March 2026), International Finance Corporation (11.55%), Kedaara Capital (17.71%), Mubadala Investment Company (via its affiliate, Alpha Investment Company LLC) (10.28%), and Aventus PE Investment Advisors Private Limited (1.14%).

AVANSE has a demonstrated track record of capital raising. During FY20-FY26, AVANSE cumulatively raised approximately INR47.7 billion, of which around INR37 billion was through primary equity infusion and compulsorily convertible preference shares (CCPS). Of INR37 billion, the company received capital of INR12 billion in 3QFY26 via the rights issue of CCPS, underscoring the strong confidence and continued commitment of existing investors. At end-March 2026, AVANSE had a healthy tangible equity (net of deferred tax and intangibles) of INR59.9 billion (FY25: INR40.8 billion) and leverage (debt/tangible equity) of 3.1x (3.5x). On a steady-state basis, AVANSE intends to operate at leverage of less than 4.0x. The company benefits from the presence of marquee investors with long-term capital commitments and significant remaining fund life, positioning it well for continued franchise growth. This, along with the healthy internal accruals (average return on assets of 2.8% during FY25-FY26), is likely to support growth over the medium term.

Diversified Funding Profile: At end-March 2026, term loan borrowings constituted 55% (FY25: 57%) of the overall borrowings, followed by non-convertible debentures (NCDs) (FY26: 16%; FY25: 26%), external commercial borrowings (ECBs) (FY26: 27%; FY25: 16%) and others (FY26: 2%; FY25: 1%). Moreover, the company is adequately diversified in terms of the type of lending institutions for term loans (foreign banks: six; FIs: four; public sector banks: 10; private banks: 15; small finance banks: one). The cost of borrowings moderated to 9.1% in FY26 (FY25: 9.9%), though it remained high

compared to some NBFCs with similar credit profiles, as a major portion of AVANSE's on-lending is towards the non-PSL and unsecured categories; however, the same has been reducing gradually. AVANSE has been increasing its usage of direct assignments and co-lending, which strengthens its asset–liability management, since these structures ensure that the funding duration aligns with the life of the underlying assets.

Adequate PPOP Buffers: In FY26, AVANSE generated net interest margins of 4.7%, with the customer segment's average portfolio yield standing at 12.7% and cost of borrowings at 9.1%. Furthermore, the scaling up of AUM, leading to optimum utilisation of the infrastructure, along with improved employee productivity due to improving vintage, can lead to a continued decline in operating cost to average assets (FY26: 2.0%; FY25: 2.4%). This can help AVANSE manage the return on average assets (FY26: 2.8%; FY25: 3.0%) in the face of intense competition that could exert pressure on yields. Ind-Ra will continue to monitor AVANSE's ability to scale its portfolio amid growing competition while managing credit costs, operating expenses, and profitability.

AVANSE's asset quality has remained under control, with gross stage 3 and net stage 3 assets standing at 0.36% (FY25: 0.26%) and 0.06% (0.04%), respectively, in FY26, and healthy provision coverage ratio of 84%. The peak gross stage 3 ratio of the company stood at 1.86% during FY20 (pandemic impacted year). The company's credit costs remained moderate at 0.6% in FY26 (FY25: 0.4%), as the scale grew by 2.7x during this period, leading to high denominator effect. That being said, AVANSE's pre-provision operating profit margins (FY26: 4.2%; FY25: 4.4%) and pre-provisioning operating profit to credit cost ratio (FY26: 7.9x; FY25: 11.4x) provides adequate cushion to absorb incremental credit costs. Ind-Ra opines that these buffers are adequate to withstand any increase in credit costs in stress credit events.

Experienced Management: AVANSE's founding members have experience of over a decade in education finance. The company has a professional senior management team, comprising members who have been with the organisation for a long time, and are supported by an experienced second line of management to drive the business, which is critical for the strategic continuity, given that the sector is subject to frequent disruptions. Of the total ten directors on the company's board, half are independent and have diverse experience. The investors maintain adequate oversight with board representation (the largest investors mentioned above have board representation), providing strategic inputs to the management team.

High Percentage of Moratorium in SLI Segment Leading to Limited Seasoning: AVANSE commenced its business operations in January 2013, and although its loan book carries a contracted tenure of around 10 years, the company began achieving significant scale only from FY22. Since then, its growth momentum has been strong, with the AUM reporting a robust CAGR of about 60.7% over FY22-FY26. Disbursements grew by around 1.6% yoy in FY26, and the AUM grew by 23% yoy, largely due to higher volume growth in the EDL and EIL books and partly due to interest accruals on the SLI book. A key driver of AVANSE's scale has been its SLI portfolio, which accounts for 78% of the AUM. However, nearly 74.2% of this portfolio—equivalent to about 59.4% of the total AUM—was under principal moratorium at end-FY26, reflecting the typical structure of education loans, wherein repayments begin only after the study period and an additional grace period. However, the seasoning profile is positively influenced by the company's experience of high prepayments, which have effectively shortened the average loan tenure to six to seven years.

Moreover, the presence of a mandatory co-borrower (usually parents) acts as an additional risk mitigant for this largely unsecured loan category. This risk is further moderated by the domestic loan portfolio, which is fully secured and begins EMI payments from day one. As a result, EMI-paying loans formed 40.6% of the total AUM as on 31 March 2026, providing a reasonable balance to the overall portfolio and complementing the predominantly moratorium-driven book.

Liquidity

Adequate: At FYE26, AVANSE had a total liquidity of around INR36.23 billion, combining unencumbered cash, liquid investments, which was sufficient to meet its debt obligations of INR18.44 billion over April-June 2026, without considering any inflows from collections. According to the asset-liability management statement (behavioural in nature), at end-March 2026, the company was in a surplus position in all the buckets, with a cumulative surplus (excess of short-term assets over short-term liabilities in the up-to-one-year bucket). The inherent asset-liability tenure mismatches due to the longer tenure of loans extended is partially offset by higher prepayments. For higher education loans, although the contracted tenure is about 10 years, the actual behavioural tenure is shorter, ranging between six-to-seven years, which benefits the company.

Rating Sensitivities

Positive: Events that could collectively lead to a positive rating action are:

- significant expansion of the franchise with product diversification with increasing proportion of secured assets
- continuous demonstration of ability to manage asset quality through the cycle while maintaining profitability buffers

Negative: Events that could, individually or collectively, lead to a negative rating action are:

- a material weakening of the business franchise or a deterioration of the business competitiveness
- any substantial pressure on profitability due to a rise in credit cost or competitive pressures on margins
- leverage exceeding 4.0x on a sustained basis over the medium term
- funding challenges leading to a weakened liquidity profile without sufficient contingent buffers

Any Other Information

Not applicable

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 AVANSE, due to either 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](#).

About the Company

AVANSE is a non-deposit taking NBFC registered with the Reserve Bank of India, specialising in education financing for students pursuing studies in India and abroad, as well as lending to educational institutions. The company was incorporated in 1992 as Abhirudhi Holdings Private Limited and later rebranded as Avanse in 2014. Initially held by Dewan Housing Finance Corporation Limited (DHFL), the company saw the International Finance Corporation (IFC) acquire a 20% stake in 2013. Following 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, guiding AVANSE toward becoming a focused, pure-play education finance institution.

As on 31 March 2026, the Warburg Pincus group through Olive Vine Investment Limited held a 59.32% stake in the company, with other notable shareholders including Kedaara Capital, IFC, Mubadala, and Avendus. AVANSE's AUM stood at INR234.1billion as on 31 March 2026, underscoring its strong presence in the education finance sector.

Key Financial Indicators

Particulars (Standalone)	FY26	FY25
Total assets (INR billion)	251.1	189.7
Total equity (INR billion)	60.2	41.0
Net profit (INR billion)	5.98	5.04
Return on average assets (%)	2.8	3.0
Equity/assets (%)	24.0	21.6
Capital adequacy ratio (%)	26.7	22.4
Gross stage 3 (%)	0.36	0.26
Source: Ind-Ra, AVANSE		

Status of Non-Cooperation with previous rating agency

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook	
	Rating Type	Rated Limits (million)	Current Rating	25 May 2026	25 February 2026
Non-convertible debentures	Long-term	INR25,000	IND AA/Stable	IND AA/Stable	IND AA/Stable
Commercial paper	Short-term	INR9,500	IND A1+	IND A1+	IND A1+
Bank loan facilities	Long-term	INR65,000	IND AA/Stable	IND AA/Stable	IND AA/Stable

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low
Commercial paper	Low
Non-convertible debentures	Low

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

Annexure

List of instruments and names of regulators of the instruments

As required by SEBI CRA Circular dated Feb 10, 2026, a list of activities or instruments falling under the purview of various FSRs, along with the names of respective FSRs, is being disclosed below:

A. Rating Activity

Sr. No.	Instrument / activity Name	Regulator of the instrument
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI)*	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI)*	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI)*	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs ^	RBI
9	External Commercial Borrowings and other similar borrowings	RBI

Sr. No.	Instrument / activity Name	Regulator of the instrument
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Borrowing programme ~	-
15	Issuer Ratings #	-
16	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
17	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18	Listed Security Receipts	SEBI
19	Unlisted Security Receipts	RBI
20	Independent Credit Evaluation (ICE)	RBI
21	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
22	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
23	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA

* Includes securitisation transactions involving assignee payout, acquirer's payout.

~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In Press Release(s) subsequent to issuance(s), India Ratings shall separately capture the rated quantum details along with names of respective regulators.

There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

B. Other activities:

Sr. No.	Activity Name	Regulator of the activity
1	Monitoring Agency	SEBI
2	Research activities, incidental to rating, such as research for Economy, Industries and Companies @	NA

@ permitted by SEBI vide SEBI Master Circular for CRAs.

Note: For instruments or activities falling under the purview of regulators other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance companies, urban local bodies, and structured finance and project finance companies.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Financial Institutions Rating Criteria

Non-Bank Finance Companies Criteria

The Rating Process

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