

January 17, 2025

Credila Financial Services Limited: Ratings reaffirmed; rated amount enhanced for commercial paper programme

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debenture programme	800.00	800.00	[ICRA]AA (Stable); reaffirmed
Non-convertible debenture programme	100.00	-	[ICRA]AA (Stable); reaffirmed and withdrawn
Non-convertible subordinated debenture programme	750.00	750.00	[ICRA]AA (Stable); reaffirmed
Perpetual debt programme	225.00	225.00	[ICRA]AA- (Stable); reaffirmed
Perpetual debt programme	50.00	-	[ICRA]AA- (Stable); reaffirmed and withdrawn
Bank lines programme	8,000.00	8,000.00	[ICRA]AA (Stable); reaffirmed
Commercial paper programme	2,500.00	3,000.00	[ICRA]A1+; assigned/reaffirmed
Total	12,425.00	12,775.00	

*Instrument details are provided in Annexure I

Rationale

The ratings factor in Credila Financial Services Limited's (Credila) strong domain knowledge in student education loans and its experienced core management team, resulting in good asset quality. Credila is a market leader in the overseas education loan segment. The company's scale of operations has increased significantly over the last two to three years with assets under management (AUM) of Rs. 36,814 crore as on September 30, 2024 (Rs. 28,187 crore as on March 31, 2024 and Rs. 8,838 crore as on March 31, 2022). Credila's capitalisation has been supported by regular equity infusions. As a part of the stake sale by HDFC Bank, a primary equity infusion of Rs. 2,003.6 crore was made by the new investors, namely Kopvoorn B.V. (a part of the EQT Group; EQT) and Moss Investments Limited, Defati Investments Holding B.V. and Infinity Partners (which are a part of the ChrysCapital Group; ChrysCapital). Further, the company received equity of Rs. 2,700 crore in year-to-date (YTD) FY2025 from new as well as existing investors, supporting its capitalisation amid strong growth. The earnings profile has remained comfortable, supported by the operating efficiency and moderate credit costs.

The ratings remain constrained by the monoline nature of operations with student education loans accounting for the entire loan book. Apart from being unsecured, education loans have inherent risks, given their long tenures, moratorium period and exposure to economic cycles impacting employment opportunities. Further, the portfolio remains exposed to geopolitical risks.

The Stable outlook is driven by ICRA's expectation that Credila will continue to grow its scale of operations while maintaining good asset quality and comfortable profitability with the managed gearing remaining below 5x.

ICRA has reaffirmed and withdrawn the rating assigned to Credila's Rs. 100-crore non-convertible debenture programme and Rs. 50-crore perpetual debt programme at the company's request as these instruments have been redeemed in full with no dues outstanding against the same. The rating has been withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings

Key rating drivers and their description

Credit strengths

Established presence in education loan segment with good asset quality – Credila is the largest non-banking financial company (NBFC) in the education loan segment with expertise in the niche segment of overseas education loans. The loan book grew by 84% to Rs. 28,187 crore as on March 31, 2024 and further grew by 31% (year-to-date, YTD) to Rs. 36,814 crore as on September 30, 2024.

The management team has significant experience in the education loan segment. Credila's management information system (MIS) enables the tracking of the sourcing, appraisal, verification, disbursal and monitoring of clients across geographies. Focus remains on the potential income of the student upon the completion of the course. It also has a large database of universities and placement details across the world, which helps in risk assessment and appraisal. As a result, the company has reported good asset quality indicators with a gross stage 3 ratio of 0.1% as on September 30, 2024 (0.07% as on March 31, 2024) with cumulative write-offs of Rs. 7.72 crore since inception. The ability to maintain the asset quality through economic cycles will remain monitorable.

Capitalisation supported by equity infusions – The company had a net worth of Rs. 7,841 crore with a reported capital adequacy ratio (CAR) of 22.2% (Tier I ratio –19.9%) and a gearing of 4.3 times as on September 30, 2024 (5.2 times as on March 31, 2024). The capitalisation has been supported by the sizeable equity infusions of Rs. 2,003.6 crore in FY2024 and Rs. 2,700 crore in YTD FY2025. As part of the transaction to purchase stake in Credila, EQT and ChrysCapital infused ~Rs. 2,003.6 crore in FY2024. Further, the company raised Rs. 2,430 crore in H1FY2025 of which Rs. 1,500 crore was raised from a new investor Shinhan Bank, with the balance Rs. 930 crore from existing investors EQT and ChrysCapital. Additionally, the company has received Rs. 270 crore from HDFC Life Insurance Company in Q3FY2025. Given the growth trajectory, the company is likely to require capital in FY2026 as well while maintaining the managed gearing below 5.0 times.

Comfortable earnings profile, supported by moderate credit costs – The company's cost of funds increased in FY2024 with the rising interest rates and the proposed change in the shareholding which got concluded on March 19, 2024 as well as the increase in the risk weight for bank lending to NBFCs. While a part of the increase in the cost of funds was passed on to borrowers, Credila's lending spreads were impacted. Along with the compression in spreads, the gearing increased in FY2024 with the significant growth in the loan book, leading to a decline in the net interest margin (NIM). The impact of lower NIMs was offset by the higher non-interest income with the increase in fees earned on cross-selling and better operating leverage. Credit costs remained moderate at 0.2% of average total assets (ATA) in FY2024.

Credila reported a net profit of Rs. 529 crore in FY2024 (2.2% of ATA) compared to Rs. 276 crore (2.2% of ATA) in FY2023. The company's profitability remained comfortable in H1FY2025 with PAT/ATA of 2.2%. While the cost of funds of the company has increased post the change in shareholding, however, the impact of the same on NIMs was offset by the lower gearing. Credila created provisions of Rs. 80 crore in Q2 FY2025 on account of a suspected fraud. Going forward, ICRA expects the profitability to remain comfortable, supported by operating efficiency, provided the company is able to maintain its credit costs.

Credit challenges

Exposure to relatively risky education loans with longer tenures and initial moratorium period – The entire loan book is concentrated towards education loans, which are largely unsecured in nature, but have a specified and monitored end use unlike personal loans. Recently disbursed loans also accounted for a high share of the AUM, which means a sizeable part of the AUM is under principal repayment moratorium. Partial interest payment is done during the moratorium period and the balance interest is capitalised in the AUM. Considering that the education loans are mainly being extended for education outside India, the same remains exposed to geopolitical risks. Further, the portfolio remains geographically concentrated with the US, UK and Canada accounting for 53%, 16% and 13% of the AUM, respectively, as on September 30, 2024. Thus, the portfolio remains exposed to economic conditions in these geographies, which could impact the employment prospects for the students.

Credila's focus on relatively premium segments and its track record in these segments provide comfort. A large portion of the total loan book (97%) was for post-graduate courses as on September 30, 2024. Applicants in these courses have higher chances of gaining employment compared to undergraduates, partially mitigating concerns regarding their repayment ability. The company's focus is likely to remain on the education loan segment.

Liquidity position: Adequate

As on November 30, 2024, the company held Rs. 4,404 crore of cash and liquid investments along with Rs. 975 crore of unutilised bank lines against total debt (including interest payments) of Rs. 5,220 crore scheduled to mature in the next six months (i.e. up to May 2025). The liquidity is supported by the monthly repayments of Rs. 300-400 crore from its loan book.

Rating sensitivities

Positive factors – The ability to scale up its operations with an improvement in the profitability, while maintaining adequate capitalisation and good asset quality indicators on a sustained basis, will be a positive factor.

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

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Non-banking Finance Companies Policy on Withdrawal of Credit Ratings
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of the company

About the company

Credila Financial Services Limited (formerly known as HDFC Credila Financial Services Limited) was founded by Mr. Ajay Bohora and Mr. Anil Bohora in 2006. Credila, which received a non-banking financial company (NBFC) licence in 2007, is the first financial services company established as a specialised institution for originating, holding and servicing education loans. On March 19, 2024, Credila ceased to be a subsidiary of HDFC Bank with the transfer of 90% of the shareholding to Kopvoorn B.V. (which is a part of the BPEA EQT Group) and Moss Investments Limited, Defati Investments Holding B.V. and Infinity Partners (which are a part of the ChrysCapital Group).

Credila reported a net profit of Rs. 529 crore in FY2024 and total assets of Rs. 31,566 crore against a net profit of Rs. 276 crore in FY2023 and total assets of Rs. 16,446 crore.

Key financial indicators (audited)

Credila Financial Services Limited	FY2023	FY2024	H1 FY2025
Total income	1,352	2,771	2,110
Profit after tax	276	529	403
Total managed assets	16,505	31,670	42,091
Return on managed assets	2.2%	2.2%	2.2%
Reported gearing (times)	5.7	5.2	4.3
Gross NPA	0.2%	0.1%	0.1%
CRAR	20.4%	20.5%	22.2%

Note: Amount in Rs. crore; All calculations are as per ICRA Research

Source: Credila, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: A member of the board of directors of ICRA Limited is also an Independent Director on Credila's board. This Director was not involved in any of the discussions and processes related to the ratings of the instruments mentioned herein.

Rating history for past three years

Instrument	Current (FY2025)						Chronology of Rating History for the Past 3 Years					
	Type	Amount Rated (Rs. crore)	Jan 17, 2025	FY2025		FY2024		FY2023		FY2022		
				Date	Rating	Date	Rating	Date	Rating	Date	Rating	
Non-convertible subordinated debenture programme	Long term	500	[ICRA]AA (Stable)	02-Apr-24	[ICRA]AA (Stable)	29-Dec-23	[ICRA]AAA; Rating Watch with Negative Implications	-	-	-	-	
				-	-	26-Feb-24	[ICRA]AAA; Rating Watch with Negative Implications	-	-	-	-	
Bank lines	Long term	8,000	[ICRA]AA (Stable)	02-Apr-24	[ICRA]AA (Stable)	26-Apr-23	[ICRA]AAA; Rating Watch with Developing Implications	05-Apr-22	[ICRA]AAA (Stable)	14-Sep-21	[ICRA]AAA (Stable)	
				-	-	23-Jun-23	[ICRA]AAA; Rating Watch with Negative Implications	20-Jun-22	[ICRA]AAA (Stable)	-	-	
				-	-	29-Dec-23	[ICRA]AAA; Rating Watch with Negative Implications	26-Jul-22	[ICRA]AAA (Stable)	-	-	
				-	-	26-Feb-24	[ICRA]AAA; Rating Watch with Negative Implications	31-Jan-23	[ICRA]AAA (Stable)	-	-	
Non-convertible subordinated debenture programme	Long term	250	[ICRA]AA (Stable)	02-Apr-24	[ICRA]AA (Stable)	26-Apr-23	[ICRA]AAA; Rating Watch with Developing Implications	05-Apr-22	[ICRA]AAA (Stable)	14-Sep-21	[ICRA]AAA (Stable)	
				-	-	23-Jun-23	[ICRA]AAA; Rating Watch with	20-Jun-22	[ICRA]AAA (Stable)	-	-	

Instrument	Type	Current (FY2025)			Chronology of Rating History for the Past 3 Years						
		Amount Rated (Rs. crore)	Jan 17, 2025		FY2025		FY2024		FY2023		
					Date	Rating	Date	Rating	Date	Rating	
								Negative Implications			
					-	-	29-Dec-23	[ICRA]AAA; Rating Watch with Negative Implications	26-Jul-22	[ICRA]AAA (Stable)	
					-	-	26-Feb-24	[ICRA]AAA; Rating Watch with Negative Implications	31-Jan-23	[ICRA]AAA (Stable)	
Commercial paper	Short term	3,000	[ICRA]A1+	02-Apr-24	[ICRA]A1+	26-Apr-23	[ICRA]A1+	05-Apr-22	[ICRA]A1+	14-Sep-21	[ICRA]A1+
				-	-	23-Jun-23	[ICRA]A1+	20-Jun-22	[ICRA]A1+	-	-
				-	-	29-Dec-23	[ICRA]A1+	26-Jul-22	[ICRA]A1+	-	-
				-	-	26-Feb-24	[ICRA]A1+	31-Jan-23	[ICRA]A1+	-	-
Non-convertible debenture programme	Long term	800	[ICRA]AA (Stable)	02-Apr-24	[ICRA]AA (Stable)	26-Apr-23	[ICRA]AAA; Rating Watch with Developing Implications	05-Apr-22	[ICRA]AAA (Stable)	14-Sep-21	[ICRA]AAA (Stable)
				-	-	23-Jun-23	[ICRA]AAA; Rating Watch with Negative Implications	20-Jun-22	[ICRA]AAA (Stable)	-	-
				-	-	29-Dec-23	[ICRA]AAA; Rating Watch with Negative Implications	26-Jul-22	[ICRA]AAA (Stable)	-	-
				-	-	26-Feb-24	[ICRA]AAA; Rating Watch with Negative Implications	31-Jan-23	[ICRA]AAA (Stable)	-	-

Instrument	Type	Current (FY2025)			Chronology of Rating History for the Past 3 Years						
		Amount Rated (Rs. crore)	Jan 17, 2025		FY2025		FY2024		FY2023		
		Date	Rating		Date	Rating	Date	Rating	Date	Rating	
Perpetual debt programme	Long term	225	[ICRA]AA- (Stable)	02-Apr-24	[ICRA]AA- (Stable)	26-Apr-23	[ICRA]AA+; Rating Watch with Developing Implications	05-Apr-22	[ICRA]AA+ (Stable)	14-Sep-21	[ICRA]AA+ (Stable)
				-	-	23-Jun-23	[ICRA]AA+; Rating Watch with Negative Implications	20-Jun-22	[ICRA]AA+ (Stable)	-	-
				-	-	29-Dec-23	[ICRA]AA+; Rating Watch with Negative Implications	26-Jul-22	[ICRA]AA+ (Stable)	-	-
				-	-	26-Feb-24	[ICRA]AA+; Rating Watch with Negative Implications	31-Jan-23	[ICRA]AA+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Bank lines	Simple
Non-convertible debenture programme	Very Simple
Non-convertible subordinated debt programme	Very Simple
Perpetual debt programme	Moderately Complex
Commercial paper programme	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 / Sanction	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE539K08153	Non-convertible subordinated debenture programme	Jul-24-2017	8.20%	Jul-23-2027	50	[ICRA]AA (Stable)
INE539K08195	Non-convertible subordinated debenture programme	Jun-06-2019	9.12%	Jun-06-2029	150	[ICRA]AA (Stable)
INE539K08161	Non-convertible subordinated debenture programme	Nov-16-2017	8.10%	Nov-16-2027	50	[ICRA]AA (Stable)
INE539K08245	Non-convertible subordinated debenture programme	Dec-29-2023	9.60%	Jun-26-2029	290	[ICRA]AA(Stable)
INE539K08252	Non-convertible subordinated debenture programme	Feb-26-2024	9.60%	Feb-24-2034	75	[ICRA]AA(Stable)
Not yet placed^	Non-convertible subordinated debenture programme	NA	NA	NA	135	[ICRA]AA (Stable)
INE539K08179	Perpetual debt programme	Dec-08-2017	8.75%	NA#	50	[ICRA]AA- (Stable)
INE539K08187	Perpetual debt programme	Jun-06-2018	9.35%	NA#	75	[ICRA]AA- (Stable)
INE539K08112	Perpetual debt programme	Jul-09-2014	11.75%	NA#	50	[ICRA]AA- (Stable); withdrawn
INE539K08120	Perpetual debt programme	Jan-27-2015	10.50%	NA#	50	[ICRA]AA- (Stable)
INE539K08138	Perpetual debt programme	Jun-17-2015	10.50%	NA#	50	[ICRA]AA- (Stable)
INE539K07114	Non-convertible debenture programme	Jun-17-2019	8.62%	Jun-17-2024	100	[ICRA]AA (Stable); withdrawn
INE539K07122	Non-convertible debenture programme	Jul-08-2019	8.85%	Jul-06-2029	200	[ICRA]AA (Stable)
INE539K07130	Non-convertible debenture programme	Aug-01-2019	8.70%	Aug-01-2029	200	[ICRA]AA (Stable)
INE539K07148	Non-convertible debenture programme	Jan-31-2020	8.00%	Jan-31-2025	200	[ICRA]AA (Stable)
INE539K07171	Non-convertible debenture programme	Nov-13-2020	7.00%	Nov-12-2027	200	[ICRA]AA (Stable)
INE539K14BJ0	Commercial paper programme	Feb-08-2024	8.98%	Feb-06-2025	250	[ICRA]A1+
INE539K14BK8	Commercial paper programme	Feb-26-2024	8.98%	Feb-24-2025	250	[ICRA]A1+
INE539K14BL6	Commercial paper programme	Feb-29-2024	8.98%	Feb-27-2025	250	[ICRA]A1+
INE539K14BP7	Commercial paper programme	Jul-08-2024	8.40%	Mar-10-2025	200	[ICRA]A1+
INE539K14BQ5	Commercial paper programme	Aug-28-2025	8.52%	Jun-13-2025	50	[ICRA]A1+
INE539K14BR3	Commercial paper programme	Aug-28-2024	8.66%	Aug-28-2025	150	[ICRA]A1+
INE539K14BS1	Commercial paper programme	Nov-28-2024	8.45%	Nov-28-2025	400	[ICRA]A1+
INE539K14BT9	Commercial paper programme	Dec-04-2024	8.45%	Dec-03-2025	600	[ICRA]A1+
Not yet placed^	Commercial paper programme	-	-	7-365 days	850	[ICRA]A1+
-	Bank lines – Long-term fund based	-	-	-	8,000	[ICRA]AA (Stable)

Source: Company; # Call option – 10 years from date of issuance; ^ Yet to be placed

Key features of rated debt instrument

The perpetual debt programme is rated one notch below the other long-term debt programmes to reflect the specific features of these instruments, wherein debt servicing is additionally linked to meeting the regulatory norms on capitalisation and reported profitability. The domestic regulatory norms include regulatory approvals from the Reserve Bank of India (RBI) for debt servicing (including principal repayments) if the company reports a loss and is not liable to service the debt if it breaches the minimum regulatory capitalisation norms.

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Not applicable

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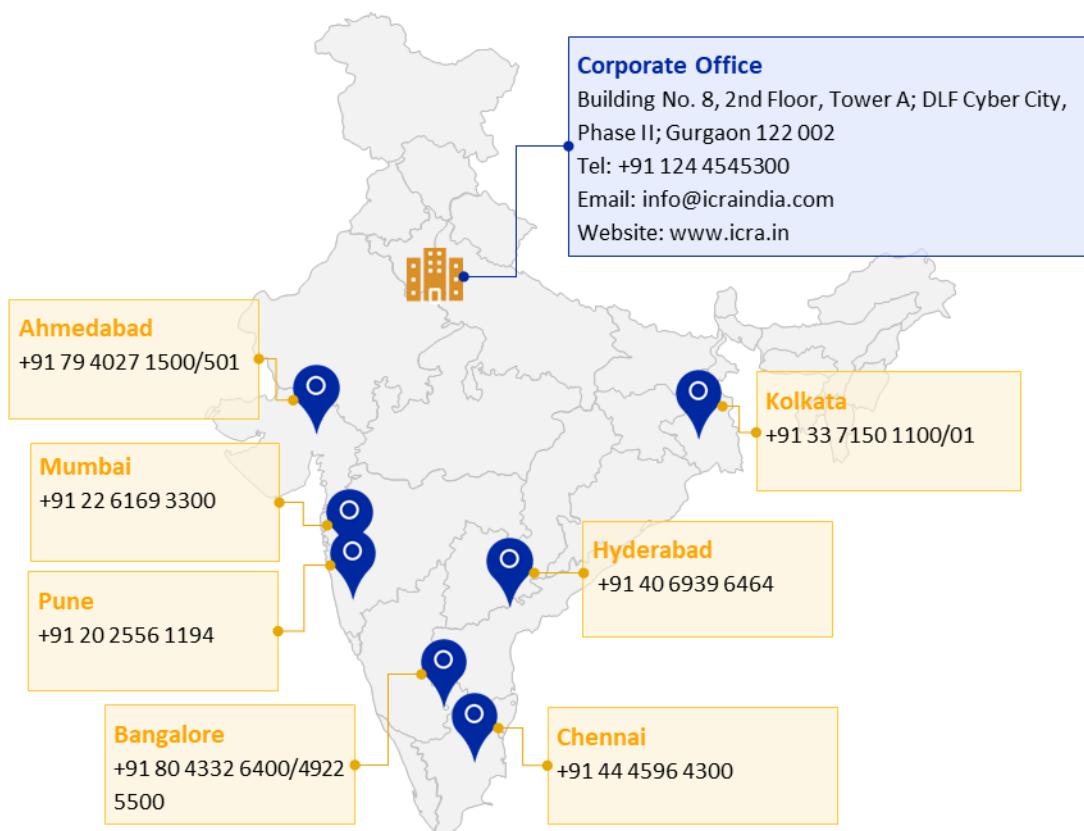
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