November 27, 2026

Avanse Financial Services Limited: Rating reaffirmed

Summary of rating action

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

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI

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. 25,014 crore as on September 30, 2026, with overseas education loans accounting for 77.6%. The rating also considers the extensive experience of Avanse's senior management team and the underwriting process, aided by the wide database of universities and placements. This has supported the asset quality with the company reporting a low gross stage 3 (GS3) of 0.6% as on September 30, 2026 and minimal average credit costs of 0.4% (annualised) in the last five years (FY2022-FY2026) despite the after-effects of the Covid-19 pandemic.

Avanse's capitalisation remains comfortable with a net worth of Rs. 6,404 crore and a managed gearing[1] of 3.4 times as on September 30, 2026. While the AUM has grown significantly in the past five years, capitalisation was supported by the consistent track record of capital infusions. The company raised Rs. 3,690 crore of equity during FY2020-FY2026. ICRA expects the current capitalisation level to support the medium-term growth. Driven by the increase in the scale of operations and moderate credit costs, the profitability remains healthy with a return on average managed assets (RoMA) of 2.4% in FY2026 (2.8% in FY2025 and 2.0% in FY2023), partly aiding capital accretion.

Apart from being unsecured, education loans have inherent risks, given their long tenures, moratorium period and exposure to economic cycles, which may affect 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 (US), the United Kingdom (UK) and Canada accounting for ~89% of Avanse's overseas education loan portfolio as on September 30, 2026. Portfolio seasoning remains limited as recent disbursements account for a large share of the portfolio, which also means that a significant portion of AUM will be under principal moratorium. ICRA, however, notes the increase in the share of the overseas education book under equated monthly instalments (EMIs) to ~36% as on September 30, 2026 (~15% as on March 31, 2025). While the reported 90+ days past due (dpd) stood at 0.6% as on September 30, 2026, it was higher at 1.2% for the portfolio under EMI. Avanse's ability to grow its portfolio while maintaining the asset quality, profitability and capitalisation profile will be a key monitorable.

[1] *(Borrowing + Off-book)/Net worth*

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 overseas education loans. Overseas education loans accounted for 77.6% of the total AUM as on September 30, 2026 with education infrastructure loans[2] (EILs) accounting for 17.5%. The AUM expanded at a strong 5-year compound annual growth rate (CAGR) of 49.8% to Rs. 23,411 crore as on March 31, 2026 and further to Rs. 25,014 crore as on September 30, 2026. However, the growth moderated to 23.3% YoY in FY2026 from the higher levels witnessed in preceding years, largely due to lower disbursements in the overseas education loan segment, particularly for the US. Consequently, the share of EILs increased to 17.5% of the overall AUM as on September 30, 2026 from 16.2% as on March 31, 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.

Avanse has reported good asset quality indicators with a GS3 of 0.6% as on September 30, 2026 (0.3% as on March 31, 2025). Despite increasing, the GS3 level remains low with the rise partly attributable to the gradual seasoning of the portfolio as a larger share of borrowers started repaying the principal. The portfolio, however, remains relatively less seasoned following the strong growth in recent years, with a sizeable share of recent disbursements still under principal repayment moratorium. The GS3 for the overall portfolio under EMI was higher at 1.2% as on September 30, 2026. The overseas education loan portfolio reported 90+ dpd of 0.6% as on September 30, 2026, while cumulative write-offs remained limited at ~Rs. 55 crore since inception. The EIL portfolio reported a 90+ dpd of 0.5%, with cumulative write-offs of ~Rs. 15 crore. Asset quality trends, as newer cohorts season and transition into principal repayment, will remain a key monitorable.

Capitalisation supported by equity infusions – Avanse's capitalisation remains comfortable with a net worth of Rs. 6,404 crore as on September 30, 2026, a reported capital adequacy ratio (CAR) of 26.5% (Tier I ratio – 25.9%) and a managed gearing of 3.4 times. While the company has grown significantly in the past five years, capitalisation was supported by the consistent track record of capital infusions. Avanse raised Rs. 3,690 crore of equity during FY2020-FY2026. Most recently, it raised Rs. 1,200 crore through a rights issue in FY2026 with participation from Warburg Pincus LLC (Warburg), Kedaara Capital Investment Managers Limited (Kedaara) and Mubadala Investment Company (Mubadala), while deferring its proposed initial public offering (IPO) for the time being. Avanse had previously raised Rs. 300 crore from Warburg and International Finance Corporation (IFC) in FY2020, Rs. 390 crore through a rights issue subscribed by Warburg and IFC in FY2023, Rs. 800 crore from Kedaara during FY2023-FY2024, and Rs. 1,000 crore from Mubadala and Avendus PE Investment Advisors Private Limited (Avendus) in FY2024. ICRA expects the current capitalisation level to support medium-term growth while ensuring a managed gearing of less than 5 times.

Avanse's borrowing from banks and financial institutions, which accounted for ~56% of the overall borrowings as on September 30, 2026, 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, with RoMA of 2.4% in FY2026 (2.8% in FY2025) and 2.3% in H1 FY2027. The earnings profile has been supported by the improving operating efficiency with the increasing scale of operations and moderate credit costs despite the decline in

[2] *EILs are collateral-backed funding for private K-12 schools for infrastructure development, working capital, and related needs*

net interest margins. The operating efficiency is expected to improve further as the business scales up. However, the ability to maintain credit costs at moderate levels amid the growing portfolio will remain a key determinant of profitability.

Credit challenges

Exposure to relatively risky education loans with longer tenures and initial moratorium period – The company's loan book is dominated by overseas education loans, which are largely unsecured, though they have a specified and monitored end use unlike personal loans. The portfolio remains relatively less seasoned, given the high share of recent disbursements, with a sizeable proportion still under principal repayment moratorium. However, seasoning is gradually improving, with ~36% of the overseas education loans having commenced EMI repayments as of September 2026 compared with ~15% as on March 31, 2025. While borrowers make partial interest payments during the moratorium period, the amount remains nominal. Further, the loans typically have contractual tenures exceeding 10 years, though the actual tenure on a behavioural basis has historically been lower.

With overseas education loans accounting for 77.6% of the AUM as on September 30, 2026, Avanse remains exposed to geopolitical risks and immigration-related issues. Further, the portfolio continues to be geographically concentrated, with the US, the UK and Canada accounting for 31.4%, 47.3% and 7.9%, respectively, of the education loan segment as on September 30, 2026. Thus, the portfolio stays exposed to economic conditions in these geographies, which could impact the students' employment prospects. Additionally, the evolving immigration and post-study employment policies in these countries remain a key monitorable. Any material tightening of these policies that constrains students' postgraduation employment opportunities could impact their repayment ability and, consequently, the asset quality of the overseas education loan portfolio. ICRA draws comfort from the fact that almost the entire overseas education loan book catered to postgraduate courses as on September 30, 2026. 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, 2026, the company held Rs. 2,729 crore of cash and liquid investments along with Rs. 1,730 crore of unutilised bank lines against total debt (including interest repayments) of Rs. 4,766 crore scheduled to mature in the next six months (i.e. until March 2027). Liquidity is further supported by monthly inflows of ~Rs. 704 crore from the loan book. The company has positive cumulative mismatches in all buckets less than five years as per the Statement of Structural Liquidity as on September 30, 2026.

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), 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, acquired a 79.67% stake, steering Avanse towards 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 in January 2023 and Rs. 200 crore in May 2023. In March 2024, Mubadala and Avendus invested Rs. 1,000 crore. Further, the company raised Rs. 1,200 crore through rights issue in FY2026. As on September 30, 2026, Warburg held a 59.32% stake in the company. Other shareholders include Kedaara, IFC, Mubadala, and Avendus. Avanse's AUM stood at Rs. 25,014 crore, as on September 30, 2026, reflecting its strong position in the education finance segment.

Key financial indicators

Avanse Financial Services Limited	FY2025	FY2026	H1 FY2027*
Total income	2,352	2,897	1,550
PAT	502	597	323
Total managed assets	20,742	28,311	29,057
Return on managed assets	2.8%	2.4%	2.3%^
Managed gearing (times)	3.9	3.5	3.4
Gross stage 3	0.3%	0.4%	0.6%
CRAR	22.4%	26.7%	26.5%

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Based on consolidated financials for FY2025 and FY2026 and standalone financials for H1 FY2027; ^ Annualised*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Nov 27, 2026**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Commercial paper	Short term	100	[ICRA]A1+	Nov 27, 2025	[ICRA]A1+	Nov 29, 2024	[ICRA]A1+	Nov 15, 2023	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial paper	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	Financial sector regulator#
Yet to be placed	**Commercial paper**	-	-	7-365 days	100.00	[ICRA]A1+	RBI

Source: Avanse; #SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI

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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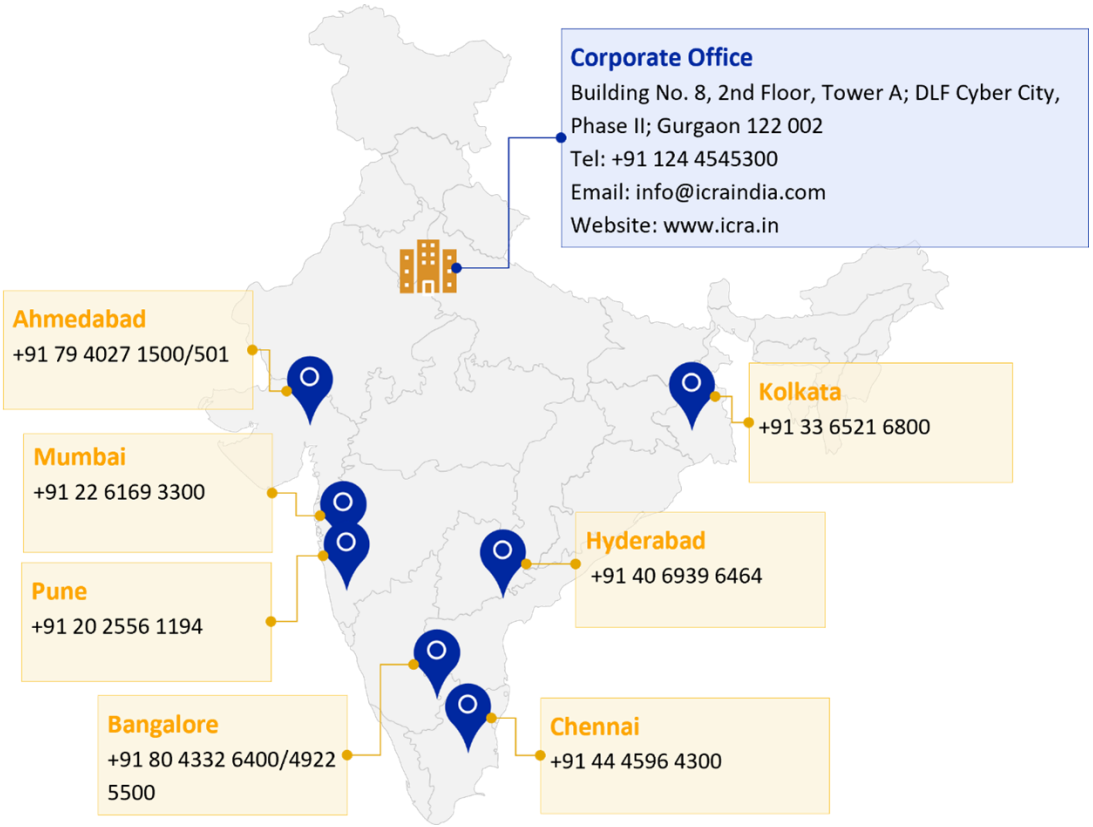

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