

September 26, 2019

The Manager  
Listing Department  
BSE Limited,  
P.J. Towers, Dalal Street,  
Mumbai- 400 001

Dear Sir,

**Sub: Intimation of revision in Credit Rating**

In terms of the requirements of Regulation 51 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please note following revision in Credit Rating of the Company with effect from September 25, 2019:

(1) Brickwork Rating

#	Earlier rating	Revised Rating
1	BWR A+ [Pronounced as BWR A Plus Credit Watch with Developing Implications]	BWR A+ Stable (Removed from Credit Watch with developing Implication and Assigned Stable outlook)

The copy of the rating rationale is **enclosed** herewith.

Request you to kindly take the same in your records.

Thanking You,

Yours Truly,

For Avanse Financial Services Limited



Rakesh Dhanuka  
Company Secretary



Cc: Mr. R.K Kulkarni  
Catalyst Trusteeship Limited  
(Formerly known as GDA Trusteeship Limited)  
GDA House, Plot No. 85, Bhusari Colony (Right)  
Paud Road, Pune - 411038

Avanse Financial Services Ltd.  
Registered & Corporate Office:  
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ASPIRE WITHOUT BOUNDARIES

## RATING RATIONALE

25 Sept 2019

### Avanse Financial Services Limited

**Brickwork Ratings reaffirms the ratings and removes from Credit Watch with Developing Implications for the various debt instruments of Avanse Financial Services Limited (“AFSL” or “Company”). Brickwork ratings assigns a Stable outlook for the rating of various debt instruments.**

#### Particulars:

Instruments**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (July, 2019)	Present
Proposed unsecured NCDs	50	50	Long Term	BWR A+ Credit Watch with Developing Implications	BWR A+ Stable (Removed from Credit Watch with developing Implication and Assigned Stable outlook)
Secured NCDs	525	525	Long Term	BWR A+ Credit Watch with Developing Implications	BWR A+ Stable (Removed from Credit Watch with developing Implication and Assigned Stable outlook)
Unsecured Subordinated NCDs	75	75			
<b>Total</b>	<b>650</b>	<b>650</b>	<b>INR Six Hundred Fifty Crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of /NCD is provided in Annexure-I&II

#### RATING ACTION / OUTLOOK

In July 2019, Brickwork Ratings had revised the ratings and had placed the rating on Credit Watch with Developing Implications following the proposed stake sale by erstwhile promoters to Olive Vine Investment Limited an affiliate of the Warbug Pincus Group.

Subsequently all the required approvals have been received and Olive Vine Investment Limited (Warbug Pincus Group) has acquired majority stake (~80%) in AFSL from erstwhile promoters Wadhwan Global Capital Limited (WGC) and Dewan Housing Finance Corporation Limited (DHFL). Warburg Pincus and IFC have collectively infused Rs. 300 Crs into the company which has improved gearing of company to ~2.3 times and capital adequacy ratio to ~35.3%.



Since Warbug Pincus Group has completed the acquisition of 80% stake in AFSL and infused equity of Rs 300 Crs, Brickwork Ratings removes the ratings from Credit watch with developing implications and assigns a Stable outlook.

## KEY RATING DRIVERS

### Credit Strengths:

**Experienced Management:** AFSL has a well-experienced management team. Mr. Amit Gainda (CEO) has over two decades of experience in banking and financial services industry.

**Comfortable Asset Quality:** Adequate credit underwriting processes have helped the company in maintaining a comfortable asset quality. Gross NPA and Net NPA stood at 0.17% and 0.13% respectively as on March 31, 2019.

**Adequate Capitalisation:** Tangible net worth and overall Capital Adequacy ratio was at Rs 574 Crs and 21.97% respectively as on March 31, 2019 as compared to Rs 484.01 Crs and 25.71% as of March 31, 2018. Gearing was at 4 times as of March 31, 2019.

### Credit Risks:

**Limited Seasoning of Loan Portfolio and small scale of operations:** The company started operations in 2013. However, majority of loan portfolio has been created in last two years. AUM has increased to Rs 2852 Crs as on March 31, 2019 against Rs 2187 Crs as of March 31, 2018. Further, more than 80% of the total portfolio is for a tenor of ~ 7 years. Overall asset quality is yet to be tested through different business cycles. As of March 31, 2019, 57% of loan portfolio constituted of Education Loans, 27% constituted of Education Infrastructure Lending, 8% constituted Lending to Financial Institutions, 8% was SME loans.

## ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has evaluated the risk profile of AFSL on a standalone basis and factored the change in ownership to Warbug Pincus Group. BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

## RATING SENSITIVITIES

**Positive:** The rating may be upgraded if the company is able to grow its portfolio while maintaining the asset quality and increase income and profitability levels.

**Negative:** The rating may be downgraded if the asset quality weakens or if the capital structure deteriorates.

**LIQUIDITY POSITION: ADEQUATE**

The company has ~Rs 567 Crs of liquidity out of which Rs. 403 Crs of FD, Mutual fund and cash & bank balance and Rs. 164 Crs of unutilised credit lines as of August 31, 2019. Company has been regular in meeting its debt obligations. The company does not have any outstanding commercial paper as on August 31, 2019.

**COMPANY PROFILE:**

Avanse Financial Services Limited (AFSL) was initially formed in August 1992 and was known as Abhivruddhi Holdings Private Limited (AHPL). DHFL and the other promoter group entities bought 100% stake in AHPL in July 2012 and changed the company’s name to Avanse Financial Services Private Limited (AFSPL). AFSL is a Systemically Important Non-Deposit taking Non-Banking Financial Company registered with 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. At present, the company has 11 branches and 5 sales representative offices.

**KEY FINANCIAL INDICATORS (in ₹ Cr)**

Total income (net of interest expenses) increased to Rs 164.91 Crs in FY19 against Rs 79.43 Crs in FY18, an increase of ~108% over previous year. Net profit increased to Rs. 27.27 Crs in FY19 against Rs 11.86 Crs in FY18, an increase of ~130%. The total portfolio increased to Rs. 2852 Crs as on March 31, 2019 against Rs. 2187 Crs as on March 31, 2018. Tangible net worth has improved to Rs. 574 Crs as on March 31, 2019 against Rs 485 Crs as on March 31, 2018. Gross NPA and Net NPA were 0.17% and 0.13% as of March 31, 2019. During Q1FY20, company has reported income of Rs 102.81 Crs.

Key Parameters	Units	FY 2018	FY 2019
Result Type		Audited	Audited
Total Income (Net of Interest Expenses)	Rs in Crs	79	165
Net Profit	Rs in Crs	12	27
Tangible Net Worth	Rs in Crs	485	574
Total Debt / Tangible Net worth	Times	4	4

Total CRAR	%	26	22
Gross NPA	%	0.09	0.17
Net NPA	%	0.07	0.13
AUM	Rs in Crs	2187	2852

## RATING HISTORY

Sn	Instruments	Amt Rs Crs	Current Rating (Sep 2019)	Rating History							
				FY19					FY18	FY17	FY16
				19.7.19	9.3.19	6.2.19	21.1.19	17.12.18	3.07.17 6.12.17 27.12.17	29.7.16	15.10.15, 31.03.16
1	Proposed Subordinated NCDs	50	BWR A+ Stable	BWR A+ Credit Watch with Developing Implications	Provisional BWR AA- (SO) (Structured Obligation) Credit Watch with Negative Implications	Provisional BWR AA (SO) (Structured Obligation) Credit Watch with Negative Implications	Provisional BWR AA+ (SO) (Structured Obligation) Negative	NA	NA	NA	NA
2	Secured NCDs	525	BWR A+ Stable	BWR A+ Credit Watch with Developing Implications	BWR AA- (SO) (Structured Obligation) Credit Watch with Negative Implications	BWR AA (SO) (Structured Obligation) Credit Watch with Negative Implications	BWR AA+ (SO) (Structured Obligation) Negative	BWR AA+ (SO) (Structured Obligation) Stable	BWR AA+ (SO) (Structured Obligation) Stable	BWR AA+ (SO) (Structured Obligation) Stable	BWR AA+ (SO) (Structured Obligation) Stable
3	Subordinated NCDs	75	BWR A+ Stable	BWR A+ Credit Watch with Developing Implications	BWR AA- (SO) (Structured Obligation) Credit Watch with Negative Implications	BWR AA (SO) (Structured Obligation) Credit Watch with Negative Implications	BWR AA+ (SO) (Structured Obligation) Negative	BWR AA+ (SO) (Structured Obligation) Stable	BWR AA+ (SO) (Structured Obligation) Stable	BWR AA+ (SO) (Structured Obligation) Stable	BWR AA+ (SO) (Structured Obligation) Stable
<b>Total</b>		<b>650</b>		<b>Rupees Six Hundred Fifty Crores Only/-</b>							

## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)  
**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Banks & Financial Institutions](#)

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## ANNEXURE I

### INSTRUMENT (NCD) DETAILS rated by BWR

Instruments	Issue date	Amount in Crs	Coupon Rate	Maturity Date	ISIN Particulars
Secured NCDs	31/Jul/15	0.50	10.10%	31/Jul/25	INE087P07022
Secured NCDs	31/Jul/15	15.00	10.10%	31/Jul/25	INE087P07022
Secured NCDs	31/Jul/15	9.50	10.10%	31/Jul/25	INE087P07022
Secured NCDs	07/Aug/15	5.00	10.05%	08/Aug/22	INE087P07030
Secured NCDs	07/Aug/15	5.00	10.05%	08/Aug/22	INE087P07030
Secured NCDs	07/Aug/15	7.00	10.10%	07/Aug/25	INE087P07048
Secured NCDs	07/Aug/15	8.00	10.10%	07/Aug/25	INE087P07048
Secured NCDs	26/Oct/15	10.00	9.55%	26/Oct/20	INE087P07055
Secured NCDs	26/Feb/16	10.00	9.65%	26/Feb/23	INE087P07063
Secured NCDs	03/Nov/17	25.00	8.65%	02/Nov/20	INE087P07089
Secured NCDs	29/Jun/18	50.00	9.35%	27/Sep/19	INE087P07097
Subordinated NCDs	16/Mar/16	19.00	10.50%	16/Mar/24	INE087P08012
Subordinated NCDs	16/Mar/16	6.00	10.50%	16/Mar/24	INE087P08012
Subordinated NCDs	30/Jun/17	25.00	9.50%	30/Jun/27	INE087P08020
Subordinated NCDs	27/Dec/17	25.00	9.35%	27/Dec/27	INE087P08038
<b>Total</b>		<b>470.00</b>			



### **For print and digital media**

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### **DISCLAIMER**

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