Avendus Finance Private Limited

January 05, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Commercial paper	100.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating of Avendus Finance Private Limited (AFPL) is driven by the strong experience of its promoters in investment banking, its strategic importance to the parent Avendus Capital Private Limited (ACPL), and its comfortable capitalisation and liquidity. However, the rating is moderated by the company's modest loan book growth and the inherent asset quality risks associated with wholesale lending. Going forward, key factors to watch will be AFPL's ability to scale profitably, maintain its strong asset quality, and retain its strategic relevance within the Avendus Group.

CARE Ratings Limited (CareEdge Ratings) notes that Mizuho Securities Co., Limited, a subsidiary of Mizuho Financial Group, Inc., has entered an agreement to acquire the stake held by Redpoint Investments Private Limited, an affiliate of KKR, in Avendus, subject to receipt of requisite regulatory approvals. The transaction is expected to strengthen Avendus' capital profile, governance, and funding access, while the company continues with its existing business strategy, supported by Mizuho's global scale and institutional backing.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:
Not applicable

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Material dilution in the ownership, expected support from, and strategic importance to the Avendus Group.
- Deterioration in the credit profile of the parent, ACPL.
- Increasing leverage levels beyond 3x.
- Material deterioration in the asset quality with net non-performing assets (NNPA) to tangible net worth (TNW) exceeding 10%.
- Declining profitability with return on total assets (ROTA) remaining below 1.0% on a sustained basis.

Analytical approach: Standalone

Ratings are based on the standalone assessment of AFPL factoring in its linkage and demonstrated support from the parent ACPL.

Detailed description of key rating drivers:

Key strengths

Strategic Importance of AFPL as the group's sole lending entity

ACPL operates in financial services space through its subsidiaries in financial advisory, capital markets, wholesale financing, wealth management and alternative asset management. On a consolidated level, ACPL had earned a profit after taxation (PAT) of ₹226.43 crore in FY25 with a total income of ₹1550.66 crore. ACPL reported a PAT margin of 14.60% (FY24: 11.64%) and return on net worth (RONW) of 15.01% (FY24:9.18%), in the same fiscal. In H1FY26, ACPL (on a consolidated level) earned a PAT of ₹90.38 crore, with total income of ₹609.33 crore and reported a PAT margin of 14.83% and RONW of 10.68%. Overall revenue from investment banking and institutional equities contributed ~59% of ACPL's consolidated revenue.

As on September 30, 2025, ACPL's shareholding in AFPL stood at 100%. AFPL serves as the Avendus Group's exclusive lending arm, providing customised credit solutions, including corporate loans, structured debt, and loan-against-securities to mid-market corporates. Promoters' strong sector expertise and long-standing client relationships reinforce the company's business model. AFPL benefits from meaningful operational synergies with the group, utilising its advisory capabilities and sectoral insights. It also

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

derives support through board representation, shared branding, and access to the group's integrated business platform, strengthening its strategic importance within the Avendus ecosystem. AFPL contributes 42% in ACPL's consolidated PAT in FY25 and 57% in H1FY26 indicating its growing strategic importance.

Comfortable capitalisation profile and low gearing

As on September 30, 2025, AFPL's capitalisation remained strong, with a capital adequacy ratio (CAR) of 58.19% and Tier-1 capital of 57.57%, compared to 55.82% and 55.30%, respectively, as on March 31, 2025, well-above the regulatory thresholds of 15% and 10%. The company's capital structure also strengthened, with tangible net worth rising to ₹979.25 crore and gearing moderating to 0.55x, against ₹929.24 crore and 0.78x as on March 31, 2025.

AFPL follows a conservative leverage policy, with management committed to maintaining gearing below 3x in the medium term. The current capital position provides sufficient headroom to support the company's planned growth.

Key weaknesses

Limited growth in lending operations

While investment banking has been ACPL's core strength for decades, AFPL has modest scale of operations with growth in assets under management (AUM) of 7.37% in FY25. Structured finance lending segment continues to constitute a major portion of the company's portfolio, with large ticket sizes in the range of ₹50–100 crore. Owing to its selective lending approach and focus on niche structured finance, AUM growth in this segment has remained moderate, standing at ₹1,013.94 crore as on September 30, 2025 (₹927.47 crore as on March 31, 2025), representing ~77% of the total AUM. Growth has also been partly low due to high prepayments within the portfolio.

AFPL entered loan-against-shares (LAS) segment in FY21, catering primarily to existing and prospective clients of Avendus Wealth Management Private Limited. This business remains in nascent stages, with an AUM of ₹292.54 crore as on September 30, 2025 (₹387.20 crore as on March 31, 2025), accounting for ~27% of total AUM.

On the profitability front, the company reported a healthy annualised ROTA of 6.43% in H1FY26, compared to 5.84% in FY25, supported by lower credit costs, low leverage and stable operating expenses.

CareEdge Ratings notes that the company's profitability and asset quality performance, particularly as operations expand will remain key monitorable in the medium term.

Asset quality susceptible to inherent risks in wholesale financing

AFPL operates within a moderate to high-risk asset class, primarily focusing on structured finance lending to mid-market corporates, with a significant share of borrowers being unlisted entities. This segment is inherently more vulnerable to economic and business cycles, resulting in elevated credit risk. To mitigate these challenges, AFPL adopts a highly selective and conservative underwriting framework. The company also benefits from the Avendus Group's strong advisory and corporate finance capabilities, which provide deeper insight into clients' business models and support the design of optimal financing structures.

Per the management, a substantial portion of the portfolio is secured by collateral with a 2–3x coverage ratio, largely through the pledge of promoter shares, supplemented in some cases by tangible security. CareEdge Ratings will continue to monitor material deviation from this security coverage level.

Despite the risk profile of the segment, AFPL has reported gross NPA (GNPA) and NNPA at 0.00% in FY25 and H1FY26, reflecting the effectiveness of its underwriting and risk management practices. In FY25, the company recovered ~₹30 crore, which resulted in a nil GNPA position.

AFPL's borrower base is concentrated, with top 10 clients accounting for ~51% of the AUM and ~69% of the TNW as on September 30, 2025. However, these exposures span a diverse range of sectors, and the company has a history of maintaining low credit costs. The portfolio's credit quality and continued diversification across sectors will be key factors to monitor going forward.

CareEdge Ratings believes AFPL's ability to manage asset quality, concentration risk and maintain profitably metrics, while scaling up the business, will remain a key rating monitorable.

Liquidity: Adequate

As on September 30, 2025, AFPL maintains a well-managed asset-liability maturity (ALM) with no cumulative mismatches across time buckets. The company's liquidity is strong, with cash and investments totalling ₹92.13 crore, and undrawn bank lines of ₹25 crore. The company has advances tuning up to ₹506.04 crore up to one year. With a debt repayment of ₹329.50 crore, AFPL has sufficient resources to meet its short-term obligations.

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Short Term Instruments
Non Banking Financial Companies
Notching by Factoring Linkages in Ratings

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Non-banking financial company (NBFC)

Originally incorporated as Pacific Hire-Purchase Private Limited on May 15, 1996, AFPL transitioned to its current name on September 18, 2014, after its acquisition by ACPL. A wholly owned subsidiary of ACPL, AFPL is an RBI-registered Systemically Important Non-Deposit Taking NBFC (NBFC-ND-SI). Established in FY17, the company focuses on providing credit solutions such as promoter funding, loan against securities and corporate finance, and structured debt. As of September 30, 2025, its AUM stood at ₹1,306 crore.

Standalone Financials of AFPL

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	H1FY26(UA)
Total income	208.48	231.73	124.31
Profit after tax (PAT)	72.75	94.07	51.74
Assets under management (AUM)	1,224.39	1,314.67	1,306.47
On-book gearing (x)	0.87	0.78	0.55
AUM / tangible net-worth (TNW) (x)	1.50	1.41	1.33
Gross non-performing assets (NPA) / gross stage 3 (%)	2.30%	0.00%	0.00%
Return on managed assets (ROMA) (%)	4.74%	5.84%	6.43%*
Capital adequacy ratio (CAR) (%)	54.54%	55.82%	58.19%

A: Audited UA: Unaudited; Note: these are latest available financial results
*annualised

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper-Commercial Paper (Standalone) Proposed	-	-	-	-	100.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Commercial Paper-Commercial Paper (Standalone)	ST	100.00	CARE A1+	-	1)CARE A1+ (14-Jan-25)	1)CARE A1+ (02-Feb-24)	1)CARE A1+ (07-Feb-23)

ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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